

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K



ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR



TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ To _____

Commission File Number 1-9804



PULTEGROUP, INC.

(Exact name of registrant as specified in its charter)

Michigan

(State or other jurisdiction of incorporation or organization)

38-2766606

(I.R.S. Employer Identification No.)

3350 Peachtree Road NE, Suite 1500

Atlanta, Georgia 30326

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 404 978-6400

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Shares, par value \$0.01	PHM	New York Stock Exchange
Series A Junior Participating Preferred Share Purchase Rights		New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company	Emerging growth company
☒	☐	☐	☐	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's voting shares held by nonaffiliates of the registrant as of June 30, 2022, based on the closing sale price per share as reported by the New York Stock Exchange on such date, was \$9,157,617,302. As of January 18, 2023, the registrant had 225,596,780 shares of common shares outstanding.

Documents Incorporated by Reference

Applicable portions of the Proxy Statement for the 2023 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form.

PULTEGROUP, INC.
TABLE OF CONTENTS

Item No.		Page No.
	<u>Part I</u>	
1	<u>Business</u>	<u>3</u>
1A	<u>Risk Factors</u>	<u>9</u>
1B	<u>Unresolved Staff Comments</u>	<u>17</u>
2	<u>Properties</u>	<u>17</u>
3	<u>Legal Proceedings</u>	<u>17</u>
4	<u>Mine Safety Disclosures</u>	<u>17</u>
	<u>Part II</u>	
5	<u>Market for the Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</u>	<u>17</u>
6	<u>[Reserved]</u>	<u>18</u>
7	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>19</u>
7A	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>35</u>
8	<u>Financial Statements and Supplementary Data</u>	<u>38</u>
9	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>69</u>
9A	<u>Controls and Procedures</u>	<u>69</u>
9B	<u>Other Information</u>	<u>71</u>
9C	<u>Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</u>	<u>71</u>
	<u>Part III</u>	
10	<u>Directors, Executive Officers and Corporate Governance</u>	<u>71</u>
11	<u>Executive Compensation</u>	<u>71</u>
12	<u>Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters</u>	<u>71</u>
13	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>71</u>
14	<u>Principal Accountant Fees and Services</u>	<u>71</u>
	<u>Part IV</u>	
15	<u>Exhibits and Financial Statement Schedules</u>	<u>72</u>
16	<u>Form 10-K Summary</u>	<u>74</u>
	<u>Signatures</u>	<u>75</u>

PART I

ITEM I. BUSINESS

PulteGroup, Inc. is a Michigan corporation organized in 1956. We are one of the largest homebuilders in the United States ("U.S."), and our common shares are included in the S&P 500 Index and trade on the New York Stock Exchange under the ticker symbol "PHM". Unless the context otherwise requires, the terms "PulteGroup", the "Company", "we", "us", and "our" used herein refer to PulteGroup, Inc. and its subsidiaries. While our subsidiaries engage primarily in the homebuilding business, we also have financial services businesses, including mortgage banking, conducted principally through Pulte Mortgage LLC ("Pulte Mortgage"), title, and insurance brokerage operations.

Homebuilding, our core business, involves the acquisition and development of land primarily for residential purposes within the U.S. and the construction of housing on such land. Homebuilding generated 98% of our consolidated revenues of \$16.2 billion in 2022, 97% of our consolidated revenues of \$13.9 billion in 2021, and 97% of our consolidated revenues of \$11.0 billion in 2020.

Available information

We file annual, quarterly, and current reports, proxy statements, and other information with the Securities and Exchange Commission (the "SEC"). These filings are available at the SEC's website at www.sec.gov. Our internet website address is www.pultegroupinc.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act are available free of charge through our website as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. Our code of ethics for principal officers, our code of ethical business conduct, our corporate governance guidelines, and the charters of the Audit, Compensation and Management Development, Nominating and Governance, and Finance and Investment Committees of our Board of Directors are also posted on our website and are available in print, free of charge, upon request.

Homebuilding Operations

Our Homebuilding operations are geographically diverse within the U.S. During 2022, we operated out of an average of 810 active communities in 42 markets across 24 states. We offer a broad product line to meet the needs of homebuyers in our targeted markets. Through our brands, which include Centex, Pulte Homes, Del Webb, DiVosta Homes, John Wieland Homes and Neighborhoods, and American West, we offer a wide variety of home designs with varying levels of options and amenities to our major customer groups: first-time, move-up, and active adult. During 2022, we delivered closings totaling 29,111 homes, compared with 28,894 homes in 2021 and 24,624 homes in 2020. Over our history, we have delivered nearly 800,000 homes.

We predominantly sell single-family detached homes, which represented 86% of our home closings in 2022, 84% in 2021, and 85% in 2020. The remaining units consist of attached homes, such as townhomes, condominiums, and duplexes. Sales prices of home closings during 2022 ranged from approximately \$150,000 to over \$2,500,000, with 87% falling within the range of \$250,000 to \$750,000. The average unit selling price in 2022 was \$542,000, compared with \$463,000 in 2021, and \$430,000 in 2020.

Strategy

We believe that national publicly-traded builders have a competitive advantage over local builders through their ability to: access more reliable and lower cost financing through the capital markets; control and entitle large land positions; gain better access to scarce labor resources; and achieve greater geographic and product diversification. We believe that builders with broad geographic and product diversity and sustainable capital positions will benefit from this scale and diversification in any market conditions. Our strategy to enhance shareholder value is centered around the following operational objectives:

- Drive operational gains and asset efficiency in support of high returns over the housing cycle;
- Shorten the duration of our owned land pipeline to improve returns and reduce risks;
- Increase scale within our existing markets by appropriately expanding market share among our primary buyer groups: first-time, move-up, and active adult;
- Focus on maintaining an appropriate balance of built-to-order and speculative homes; and

- Manage the Company's capital consistent with our stated priorities: invest in the business, fund our dividend, and routinely return excess funds to shareholders through share repurchases, while maintaining a modest leverage profile.

Land acquisition and development

We acquire land primarily for the construction of homes for sale. We select locations for development of homebuilding communities after completing a feasibility study, which includes, among other things, soil tests, independent environmental studies and other engineering work, an evaluation of necessary zoning and other governmental entitlements, and extensive market research that enables us to match the location with our product offering to meet the needs of consumers. We consider factors such as proximity to developed areas, population and job growth patterns, and, if applicable, estimated development costs. We frequently manage a portion of the risk of controlling our land positions through the use of land option agreements, which enable us to defer acquiring portions of properties owned by land sellers until we have determined whether and when to exercise our option. Our use of land option agreements can serve to enhance our expected returns on our land investments and reduce the financial risk associated with long-term land holdings. We typically acquire land with the intent to complete sales of housing units within 24 to 36 months from the date of opening a community, except in the case of certain Del Webb active adult developments and other large master-planned projects for which the completion of community build-out requires a longer time period. While our overall supply of controlled land is in excess of our short-term needs in certain of our markets, some of our controlled land consists of long-term positions that will not be converted to home sales in the near term. Accordingly, we remain active in our pursuit of new land investment. We also periodically sell select parcels of land to third parties for commercial or other development or if we determine that such parcels no longer fit into our strategic operating plans.

Land is generally purchased after it is zoned and developed, or is ready for development, for our intended use. Where we develop land, we engage directly in many phases of the development process, including: land and site planning; obtaining environmental and other regulatory approvals; and constructing roads, sewers, water and drainage facilities, and community amenities, such as parks, pools, and clubhouses. We use our staff and the services of independent engineers and consultants for land development activities. Land development work is performed primarily by independent contractors and, when needed, local government authorities who construct roads and sewer and water systems in some areas. At December 31, 2022, we controlled 211,112 lots, of which 108,848 were owned and 102,264 were under land option agreements.

Sales and marketing

We are dedicated to improving the quality and value of our homes through innovative architectural and community designs. Analyzing various qualitative and quantitative data obtained through extensive market research, we stratify our potential customers into well-defined homebuyer groups. Such stratification provides a method for understanding the business opportunities and risks across the full spectrum of consumer groups in each market. Once the needs of potential homebuyers are understood, we link our home design and community development efforts to the specific lifestyle of each consumer group. Through our understanding of each consumer group, we seek to provide homes that better meet the needs and wants of each homebuyer.

Our homes targeted to first-time homebuyers tend to be smaller with product offerings geared toward lower average selling prices and higher density. Move-up homebuyers tend to place more of a premium on location and amenities. These communities typically offer larger homes at higher price points. Through our Del Webb brand, we address the needs of active adults. Many of these active adult communities are age-restricted to homebuyers aged fifty-five and over and are highly amenitized, offering a variety of features, including athletic facilities, recreational centers, and educational classes, to facilitate the homebuyer maintaining an active lifestyle. In order to make the cost of these highly amenitized communities affordable to the individual homeowner, Del Webb communities tend to be larger than first-time or move-up homebuyer communities. During 2022, 35%, 39%, and 26% of our home closings were to first-time, move-up, and active adult customers, respectively, which reflects an increase toward first-time buyers since 2021 consistent with our continued investment in serving first-time buyers.

We believe that we are an innovator in home design, and we view our design capabilities as an integral aspect of our marketing strategy. Our in-house architectural services teams, supplemented by outside consultants, follow a disciplined product development process to introduce new features and technologies based on customer-validated data. Following this disciplined process results in distinctive design features, both in exterior facades and interior options and features. We typically offer a variety of house floor plans and elevations in each community, including potential options and upgrades, such as different flooring, countertop, fixture, and appliance choices, and design our base house and option packages to meet the needs of our customers as defined through rigorous market research. Energy efficiency represents an important source of value for new

homes compared with existing homes and represents a key area of focus for our home designs, including high efficiency heating, ventilation, and air conditioning systems and insulation, low-emissivity windows, solar power in certain geographies, and other energy-efficient features.

We market our homes to prospective homebuyers through internet listings and link placements, social media, mobile applications, media advertising, illustrated brochures, and other advertising displays. We have made significant enhancements in our tools and business practices to adapt our selling efforts to today's tech-enabled customers. This includes our websites (www.pulte.com, www.centex.com, www.delwebb.com, www.divosta.com, www.jwhomes.com, and www.americanwesthomes.com), which provide tools to help users find a home that meets their needs, investigate financing alternatives, communicate moving plans, maintain a home, learn more about us, and communicate directly with us.

Our sales teams consist primarily of commissioned employees, and the majority of our home closings also involve independent third party sales brokers. Our sales consultants are responsible for guiding the customer through the sales process, including selecting the community, house floor plan, and options that meet the customer's needs. We are committed to industry-leading customer service through a variety of quality initiatives, including our customer care program, which seeks to ensure that homebuyers are engaged and satisfied at every stage of the process. Fully furnished and landscaped model homes physically located in our communities, which leverage the expertise of our interior designers, are generally used to showcase our homes and their distinctive design features. We have also introduced virtual reality walkthroughs of our house floor plans in certain communities to provide prospective homebuyers with a more cost-effective means to provide a realistic vision of our homes.

The majority of our homes are sold on a built-to-order basis where we do not begin construction of the home until we have a signed contract with a customer. However, we also build speculative homes in most of our communities, which allow us to compete more effectively with existing homes available in the market, especially for homebuyers that require a home within a short time frame. We determine our speculative home strategy for each community based on local market factors and maintain a level of speculative home inventory based on our current and planned sales pace and construction cadence for the community.

Our sales contracts with customers generally require payment of a deposit at the time of contract signing and sometimes additional deposits upon selection of certain options or upgrade features for their homes. Our sales contracts also typically include a financing contingency that provides customers with the right to cancel if they cannot obtain mortgage financing at specified interest rates within a specified period. Our contracts may also include other contingencies, such as the sale of an existing home. Backlog, which represents orders for homes that have not yet closed, was \$7.7 billion (12,169 units) at December 31, 2022 and \$9.9 billion (18,003 units) at December 31, 2021. This decrease in 2022 backlog compared to 2021 was primarily the result of lower new orders during 2022 combined with an increased cancellation rate. For orders in backlog, we have received a signed customer contract and customer deposit, which is refundable in certain instances. Of the orders in backlog at December 31, 2022, substantially all are scheduled to be closed during 2023, though all orders are subject to potential cancellation by or final negotiations with the customer. In the event of contract cancellation, the majority of our sales contracts stipulate that we have the right to retain the customer's deposit, though we may choose to refund the deposit in certain instances.

Construction

The construction of our homes is conducted under the supervision of our on-site construction field managers. Substantially all of our construction work is performed by independent subcontractors under contracts that establish a specific scope of work at an agreed-upon price. Using a selective process, we have aligned with what we believe are premier subcontractors and suppliers to deliver quality throughout all aspects of the house construction process. In addition, our construction field managers and customer care associates interact with our homebuyers throughout the construction process and instruct homebuyers on post-closing home maintenance.

Continuous improvement in our house construction process is a key area of focus. We seek to build superior quality homes while maintaining efficient construction operations by using standard materials and components from a variety of sources and by following industry and company-specific construction practices. We maintain high quality product offerings and production processes through the following programs:

- Common management of house plans to deliver house designs that customers value the most and that can be built at the highest quality and at an efficient cost;
- Value engineering our house plans to optimize house designs in terms of material content and ease of construction while still providing a clear value to the customer;

- Utilizing our proprietary construction standards and practices, training of our field leadership and construction personnel, communication with our suppliers, and auditing our compliance through the use of both internal and third party construction experts; and
- Working with our suppliers using a data driven, collaborative method to reduce construction costs.

Generally, the construction materials used in our operations are readily available from numerous sources. However, the cost of certain building materials, especially lumber, steel, concrete, resin, copper, and petroleum-based materials, is influenced by changes in global commodity prices, national tariffs, and other trade factors. Additionally, the ability to consistently source qualified labor at reasonable prices remains challenging as labor supply growth has not kept pace with construction demand. To protect against changes in construction costs, labor and materials costs are generally established prior to or near the time when related sales contracts are signed with customers. In addition, we leverage our size by actively negotiating for certain materials on a national or regional basis to minimize costs. However, we cannot determine the extent to which necessary building materials and labor will be available at reasonable prices in the future. For example, labor shortages in certain of our markets have become more acute in recent years in response to industry growth and increased demand outpacing the growth of the residential construction labor pool. Additionally, the supply of certain building materials is limited and has been impacted by the combination of volatile consumer demand and disruptions in the global supply chain caused by the COVID-19 pandemic and major weather events at the point of manufacture of certain products. This volatility in demand, supply chain disruptions, and the consolidation of ownership of the source of supply for certain building materials combined to significantly increase the prices of those materials. As a result, during 2022, in all of our markets, we experienced supply chain constraints, increases in the prices of some building materials, and shortages of skilled labor. Increased costs or shortages of materials caused increases in construction costs and construction delays.

Competition

The housing industry in the U.S. is fragmented and highly competitive. While we are one of the largest homebuilders in the U.S., our national market share represented only approximately 5% of U.S. new home sales in 2022. In each of our local markets, there are numerous national, regional, and local homebuilders with whom we compete. Additionally, new home sales have traditionally represented less than 15% of overall U.S. home sales (new and existing homes). Therefore, we also compete with sales of existing house inventory and any provider of for sale or rental housing units, including apartment operators. We compete primarily on the basis of location, price, quality, reputation, design, community amenities, and our customers' overall sales and homeownership experiences.

Seasonality

Although significant changes in market conditions have impacted our seasonal patterns in the past and could do so again, we historically experience variability in our quarterly results from operations due to the seasonal nature of the homebuilding industry. We generally experience increases in revenues and cash flow from operations during the fourth quarter based on the timing of home closings. This seasonal activity increases our working capital requirements in our third and fourth quarters to support our home production and loan origination volumes. As a result of the seasonality of our operations, our quarterly results of operations are not necessarily indicative of the results that may be expected for the full year.

Regulation and environmental matters

Our operations are subject to extensive regulations imposed and enforced by various federal, state, and local governing authorities. These regulations are complex and include building codes, land zoning and other entitlement restrictions, health and safety regulations, labor practices, marketing and sales practices, environmental regulations, rules and regulations relating to mortgage financing and title operations, and various other laws, rules, and regulations. Collectively, these regulations have a significant impact on the site selection and development of our communities; our house design and construction techniques; our relationships with customers, employees, suppliers, and subcontractors; and many other aspects of our business. The applicable governing authorities frequently have broad discretion in administering these regulations, including inspections of our homes prior to closing with the customer in the majority of municipalities in which we operate. Additionally, we may experience extended timelines for receiving required approvals from municipalities or other government agencies that can delay our anticipated development and construction activities in our communities.

Financial Services Operations

We conduct our financial services business, which includes mortgage banking, title, and insurance brokerage operations, through Pulte Mortgage and other subsidiaries. Pulte Mortgage arranges financing through the origination of mortgage loans primarily for the benefit of our homebuyers. We are a lender approved by the Federal Housing Administration ("FHA") and Department of Veterans Affairs ("VA") and are a seller/servicer approved by Government National Mortgage Association ("Ginnie Mae"), Federal National Mortgage Association ("Fannie Mae"), Federal Home Loan Mortgage Corporation ("Freddie Mac"), and other investors. In our conventional mortgage lending activities, we follow underwriting guidelines established by Fannie Mae, Freddie Mac, and private investors. We believe that our customers' use of our in-house mortgage and title operations provides us with a competitive advantage by enabling more control over the quality of the overall home buying process for our customers, while also helping us align the timing of the house construction process with our customers' financing needs.

Operating through a captive business model targeted to supporting our Homebuilding operations, the business levels of our Financial Services operations are highly correlated to Homebuilding. Our Homebuilding customers continue to account for substantially all of our loan production. We originated the mortgage loans for 62% of the homes we closed in 2022, and 73% in both 2021 and 2020. Other home closings are settled via either cash, which typically represent approximately 15% of home closings, or third party lenders.

In originating mortgage loans, we initially use our own funds, including funds available pursuant to credit agreements with third parties, and subsequently sell such mortgage loans to third party investors in the secondary market. Substantially all of the loans we originate are sold in the secondary market within a short period of time after origination, generally within 30 days. We also sell the servicing rights for the loans we originate through fixed price servicing sales contracts to reduce the risks and costs inherent in servicing loans. This strategy results in owning the loans and related servicing rights for only a short period of time.

The mortgage industry in the U.S. is highly competitive. We compete with other mortgage companies and financial institutions to provide attractive mortgage financing to our homebuyers. We utilize a centralized fulfillment center for our mortgage operations that performs underwriting, processing, and closing functions. We believe centralizing both the fulfillment and origination of our loans improves the speed, efficiency, and quality of our mortgage operations, improving our profitability and allowing us to focus on providing attractive mortgage financing opportunities for our customers.

In originating and servicing mortgage loans, we are subject to the rules and regulations of the government-sponsored investors and other investors that purchase the loans we originate, as well as to those of other government agencies that have oversight of the government-sponsored investors or consumer lending rules in the U.S. In addition to being affected by changes in these programs, our mortgage banking business is also affected by many of the same factors that impact our homebuilding business.

Our mortgage operations may be responsible for losses associated with mortgage loans originated and sold to investors in the event of errors or omissions relating to representations and warranties made by us that the loans met certain requirements, including representations as to underwriting standards, the existence of primary mortgage insurance, and the validity of certain borrower representations in connection with the loan. If a loan is determined to be faulty, we either indemnify the investor for potential future losses, repurchase the loan from the investor, or reimburse the investor's actual losses.

Our subsidiary title insurance companies serve as title insurance agents and underwriters in select markets by providing title insurance policies and examination and closing services to buyers of homes we sell. Historically, we have not experienced significant claims related to our title operations.

Our insurance brokerage operations serve as a broker for home, auto, and other personal insurance policies in select markets to buyers of homes we sell. All such insurance policies are placed with third party insurance carriers.

Human Capital Resources

Workforce

At December 31, 2022, we employed 6,524 people, of which 1,027 were employed in our Financial Services operations. Of our homebuilding employees, 389 are involved in land acquisition and development functions, 2,513 are involved in construction and post-closing customer care functions; 1,261 are involved in the sales function; and 1,334 are involved in procurement, corporate, and other functions. Our employees are not represented by any union. Contracted work, however, may be performed by union contractors. We consider our employee relations to be good.

Compensation and Benefits

We offer our employees a competitive wage plus a broad range of Company-paid benefits, including medical, dental, and vision healthcare coverage, paid parental leave, adoption benefits, a 401(k) retirement plan, and a stock compensation plan. The majority of our employees also participate in various performance-based incentive compensation plans. We believe that our compensation and benefits packages are competitive within our industry.

Culture and Objectives

Our key human capital management objectives are designed to attract, develop, and retain top industry talent that reflects the diversity of the communities in which we build. To support this goal, our human resources programs are designed to develop talent to prepare for key roles and leadership positions for the future; reward employees through competitive industry pay, benefits, and other programs; instill our culture with a focus on diversity and ethical behavior; and enhance our employees' performance through investment in current technology, tools, and training to enable our employees to operate at a high level. Our commitment to the aforementioned goals is evidenced through our certification as a Great Place to Work® and formation of a national diversity council.

We believe that diversity in the workplace produces unique perspectives which serve to drive innovation and change, which we feel benefits the overall organization. We believe our employees are an integral part of the success of our business and the cultivation and development of their collective skillsets is an entity-wide priority and critical to our success. Our management teams are expected to exhibit and promote honest, ethical, and respectful conduct in the workplace. All of our employees must adhere to a code of conduct that sets standards for appropriate ethical behavior.

Recruitment and Retention

Our management team supports a culture of developing future leaders from our existing workforce, enabling us to promote from within for many leadership positions. We believe this provides long-term focus and continuity to our operations while also providing opportunities for the growth and advancement of our employees. Our focus on retention is evident in the length of service of our executive, area, and divisional management teams. The average tenure of our executive team and homebuilding area presidents is 21 years and the average tenure of our homebuilding division presidents is 17 years.

Information About Our Executive Officers

Set forth below is certain information with respect to our executive officers.

Name	Age	Position	Year Became An Executive Officer
Ryan R. Marshall	48	President and Chief Executive Officer	2012
John J. Chadwick	61	Executive Vice President	2019
Robert T. O'Shaughnessy	57	Executive Vice President and Chief Financial Officer	2011
Todd N. Sheldon	55	Executive Vice President, General Counsel and Corporate Secretary	2017
Michelle Hairston	46	Senior Vice President, Human Resources	2018
Brien P. O'Meara	50	Vice President and Controller	2020

The following is a brief account of the business experience of each officer during the past five years:

Mr. Marshall was appointed Chief Executive Officer in September 2016.

Mr. Chadwick was appointed Executive Vice President and Chief Operating Officer in April 2019 and previously held the position of Area President over various geographical markets since 2012. In October 2022, Mr. Chadwick notified the Company of his intent to retire in April 2023. Effective January 1, 2023, Mr. Chadwick transitioned to the role of Executive Vice President.

Mr. O'Shaughnessy was appointed Executive Vice President and Chief Financial Officer in May 2011.

Mr. Sheldon was appointed Executive Vice President, General Counsel and Corporate Secretary in March 2017.

Ms. Hairston was appointed Senior Vice President, Human Resources in April 2018 and previously held various Area and corporate human resources leadership positions since 2009.

Mr. O'Meara was appointed Vice President and Controller in February 2017.

There is no family relationship between any of the officers or between any of our officers and any of our directors. Each officer serves at the pleasure of the Board of Directors.

ITEM 1A. RISK FACTORS

Discussion of our business and operations included in this annual report on Form 10-K should be read together with the risk factors set forth below. They describe various risks and uncertainties to which we are, or may become, subject. These risks and uncertainties, together with other factors described elsewhere in this report, have the potential to affect our business, financial condition, results of operations, cash flows, strategies, or prospects in a material and adverse manner.

Risks Associated With Our Industry.

Increases in interest rates, reductions in mortgage availability, or other increases in the effective costs of owning a home have prevented potential customers from buying our homes and adversely affected our business and financial results.

A large majority of our customers finance their home purchases through mortgage loans, many through Pulte Mortgage. Mortgage interest rates in recent years have been at or near historic lows, thereby making new homes more affordable. Increases in interest rates can adversely affect the market for new homes, as potential homebuyers may be less willing or able to pay the increased monthly costs resulting from higher interest rates or to obtain mortgage financing. For example, beginning in the second quarter of 2022, we experienced lower than expected signups and traffic among all buyer groups as mortgage rates increased in response to the Federal Reserve's increases to the federal funds rate through 2022 as part of their effort to reduce inflation. This resultant slowdown in signups and traffic was more pronounced during the second half of 2022 as the Federal Reserve's rate hikes resulted in mortgage rates reaching their highest levels since 2008. Ongoing volatility in interest rates may continue to negatively impact our operations and financial results.

A decrease in the availability of mortgage financing generally could also adversely impact the market for new homes, which could result from lenders increasing the qualifications needed for mortgages or adjusting their terms to address any increased credit risk. Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their current homes to potential buyers who need financing. These factors could adversely affect the sales or pricing of our homes and could also reduce the volume or margins in our financial services business. Our financial services business could also be impacted to the extent we are unable to match interest rates and amounts on loans we have committed to originate through the various hedging strategies we employ. These developments have historically had, and may in the future have, a material adverse effect on the overall demand for new housing and thereby on the results of operations of our business.

The liquidity provided by Fannie Mae and Freddie Mac to the mortgage industry is also critical to the housing market. The impact of the federal government's conservatorship of Fannie Mae and Freddie Mac on the short-term and long-term demand for new housing remains unclear. Any limitations or restrictions on the availability of financing by these agencies could adversely affect interest rates, mortgage financing, and our sales of new homes and mortgage loans. Additionally, the availability of FHA and VA mortgage financing, which is subject to the same interest rate and lending term risks, is an important factor in marketing some of our homes, and reduced availability of these financing options could negatively impact our results of operations.

The homebuilding industry is cyclical and deteriorations in industry conditions or downward changes in general economic or other business conditions have historically affected our business and financial results and could do so in the future.

The residential homebuilding industry is sensitive to changes in economic conditions and other factors, such as the level of employment, consumer confidence, consumer income, product affordability, availability of financing, inflation, and interest rate levels. Adverse changes in any of these conditions generally, or in the markets where we operate, could decrease demand and pricing for new homes in these areas and result in customer cancellations of pending contracts, which could adversely affect the number of home deliveries we make or reduce the prices we can charge for homes, either of which could result in a significant decrease in our revenues and earnings that could materially and adversely affect our financial condition.

For example, beginning in 2006 and continuing through 2011, the U.S. housing market was unfavorably impacted by severe weakness in new home sales attributable to, among other factors, weak consumer confidence, tightened mortgage standards, significant foreclosure activity, a more challenging appraisal environment, higher than normal unemployment levels, and significant uncertainty in the global economy. During this period, we incurred significant losses, including impairments of our land inventory and certain other assets, and some aspects of the housing industry have yet to return to pre-2007 production levels. As noted previously, historically high inflation, increased interest rates and overall economic conditions in 2022 have impacted the affordability of our homes and consumer sentiment resulting in a significant slowdown in our business and impacts to our financial results. It is uncertain how long these current economic conditions, or the associated impacts on our business and financial results, will continue.

Inflation has resulted in increased costs that we may not be able to recoup.

Inflation can adversely affect us by increasing costs of land, materials, and labor. In addition, significant inflation is often accompanied by higher interest rates, which recently have had a negative impact on demand for our homes. In an inflationary environment like the one we are currently experiencing, economic conditions and other market factors may make it difficult for us to raise home prices enough to keep up with the rate of inflation, which could reduce our profit margins or reduce the number of consumers who can afford to purchase one of our homes. We are currently experiencing heightened labor and materials prices which have resulted primarily from increased demand and inflationary monetary policy stemming from the onset of the COVID-19 pandemic in early 2020. Although these prices tempered during the second half of 2022, if the current inflationary environment continues or worsens, we may not be able to adjust the pricing we charge for homes to offset these increased costs in the future, which would adversely impact our results of operations and cash flows.

Supply shortages and other risks related to the demand for skilled labor and building materials have and could continue to increase costs and delay deliveries.

The homebuilding industry is highly competitive for skilled labor. Labor shortages, which began after the onset of the COVID-19 pandemic, have continued to limit the availability of certain materials and construction labor. Additionally, the supply of certain building materials, especially lumber, wood-based materials such as roof and floor trusses and oriented strand boards, steel, resin, concrete, copper, and petroleum-based materials, is limited and has been impacted by the combination of strong consumer demand, disruptions in the global supply chain caused by the COVID-19 pandemic, and major weather events at the point of manufacture of certain products. These factors, along with the consolidation of ownership of the source of supply for certain building materials, have resulted in significant increases to the prices of those materials. Increased costs and

shortages of labor and materials have caused increases in construction costs, and construction delays. We may not be able to pass on increases in construction costs to customers and generally are unable to pass on any such increases to customers who have already entered into sales contracts as those sales contracts generally fix the price of the home at the time the contract is signed, which may be well in advance of the construction of the home. Sustained increases in construction costs may, over time, erode our margins, and pricing competition may restrict our ability to pass on any such additional costs, thereby decreasing our margins.

Our success depends on our ability to acquire land suitable for residential homebuilding in accordance with our land investment criteria.

The homebuilding industry is highly competitive for suitable land. The availability of finished and partially finished developed lots and undeveloped land for purchase that meet our internal criteria depends on a number of factors outside our control, including land availability in general, competition with other homebuilders and land buyers for desirable property, inflation in land prices, zoning, allowable housing density, and other regulatory requirements. Should suitable lots or land become less available, the number of homes we may be able to build and sell could be reduced, and the cost of land could be increased, perhaps substantially, which could adversely impact our results of operations.

Our long-term ability to build homes depends on our acquiring land suitable for residential building at reasonable prices in locations where we want to build. We experience significant competition for suitable land as a result of land constraints in many of our markets. As competition for suitable land increases, and as available land is developed, the cost of acquiring suitable land could rise, and the availability of suitable land at acceptable prices may decline. Any land shortages or any decrease in the supply of suitable land at reasonable prices could limit our ability to develop new communities or result in increased land costs. We may not be able to pass through to our customers any increased land costs, which could adversely impact our revenues, earnings, and margins.

If the market value of our land drops significantly, our profits could decrease and result in write-downs of the carrying values of land we own.

The market value of land can fluctuate significantly as a result of changing market conditions, and the measures we employ to manage inventory risk may not be adequate to insulate our operations from a severe drop in inventory values. We acquire land for expansion into new markets and for replacement of land inventory and expansion within our current markets. If housing demand decreases below what we anticipated when we acquired our inventory, we may not be able to make profits similar to what we have made in the past, we may experience less than anticipated profits, and/or we may not be able to recover our costs when we sell and build homes. When market conditions are such that land values are not appreciating, land option arrangements previously entered into may become less desirable, at which time we may elect to forego deposits and pre-acquisition costs and terminate the agreements. In the face of adverse market conditions, we may have substantial inventory carrying costs, we may have to write down our inventory to its fair value, and/or we may have to sell land or homes at a loss. At times we have been required to record significant write-downs of the carrying value of our land inventory and we have elected not to exercise options to purchase land, even though that required us to forfeit deposits and write-off pre-acquisition costs. If market conditions were to deteriorate in the future, we could elect not to execute additional options and again be required to record significant write downs to our land inventory, which would decrease the asset values reflected on our balance sheet and materially and adversely affect our earnings and our shareholders' equity.

Competition for homebuyers could reduce our deliveries or decrease our profitability.

The U.S. housing industry is highly competitive. Homebuilders compete for homebuyers in each of our markets with numerous national, regional, and local homebuilders on the basis of location, price, quality, reputation, design, community amenities, and our customers' overall sales and homeownership experiences. This competition with other homebuilders could reduce the number of homes we deliver or cause us to accept reduced margins to maintain sales volume.

We also compete with resales of existing or foreclosed homes, housing speculators, and available rental housing. Increased competitive conditions in the residential resale or rental market in the regions where we operate could decrease demand for new homes or unfavorably impact pricing for new homes.

Government regulations could increase the cost and limit the availability of our development and homebuilding projects or affect our related financial services operations and adversely affect our business or financial results.

Our operations are subject to building, safety, environmental, and other regulations imposed and enforced by various federal, state, and local governing authorities. New housing developments may also be subject to various assessments for schools, parks, streets, and other public improvements. These assessments have increased over recent years as other funding mechanisms have decreased, causing local governing authorities to seek greater contributions from homebuilders. All of these factors can cause an increase in the effective cost of our homes.

We also are subject to a variety of local, state, and federal laws and regulations concerning protection of health, safety, and the environment. The impact of environmental laws varies depending upon the prior uses of the building site or adjoining properties and may be greater in areas with less supply where undeveloped land or desirable alternatives are less available. These matters may result in delays, may cause us to incur substantial compliance, remediation and other costs, and can prohibit or severely restrict development and homebuilding activity in environmentally sensitive regions or areas. More stringent requirements could be imposed in the future on homebuilders and developers, thereby increasing the cost of compliance.

Our financial services operations are also subject to numerous federal, state, and local laws and regulations. These include eligibility requirements for participation in federal loan programs and compliance with consumer lending and similar requirements such as disclosure requirements, prohibitions against discrimination, and real estate settlement procedures. They also subject our operations to examination by applicable agencies, pursuant to which those agencies may limit our ability to provide mortgage financing or title services to potential purchasers of our homes. For our homes to qualify for FHA or VA mortgages, we must satisfy valuation standards and site, material, and construction requirements of those agencies.

Homebuilding is subject to warranty and other claims in the ordinary course of business that can be significant.

As a homebuilder, we are subject to home warranty, construction defect, and other claims arising in the ordinary course of business. We rely on subcontractors to perform the actual construction of our homes and, in some cases, to select and obtain building materials. Despite our detailed specifications and quality control procedures, in some cases, subcontractors may use improper construction processes or defective materials. In such cases, it can result in the need to perform extensive repairs to large numbers of homes. We record warranty and other reserves relating to the homes we sell based on historical experience in our markets and our judgment of the qualitative risks associated with the types of homes built.

We have, and require our subcontractors to have, general liability, property, errors and omissions, workers compensation, and other business insurance. These insurance policies protect us against a portion of our risk of loss from claims, subject to certain self-insured per occurrence and aggregate retentions, deductibles, and available policy limits. In certain instances, we may offer our subcontractors the opportunity to purchase insurance through one of our captive insurance subsidiaries or participate in a project-specific insurance program provided by us. Policies issued by our captive insurance subsidiaries represent self-insurance of these risks by us. We reserve for costs to cover our self-insured and deductible amounts under these policies and for any costs of claims and lawsuits based on an analysis of our historical claims, which includes an estimate of claims incurred but not yet reported. Our insurance coverage, our subcontractor arrangements, and our reserves may not be adequate to address all our warranty and construction defect claims in the future, and there is typically a lag between our payment of claims and reimbursements from applicable insurance carriers. Contractual indemnities can be difficult to enforce, we may be responsible for applicable self-insured retentions, and some types of claims may not be covered by insurance or may exceed applicable coverage limits. Additionally, the coverage offered by and the availability of general liability insurance for construction defects are currently costly and limited. We have responded to increases in insurance costs and coverage limitations by increasing our self-insured retentions. There can be no assurance that coverage will not be further restricted or become more costly. Additionally, we are exposed to counterparty default risk related to our subcontractors, our insurance carriers, and our subcontractors' insurance carriers.

We can be injured by improper acts of persons over whom we do not have control or by the attempt to impose liabilities or obligations of third parties on us.

Although we expect all of our subcontractors, employees, officers, and directors to comply at all times with all applicable laws, rules, and regulations, there may be instances in which subcontractors or others through whom we do business engage in practices that do not comply with applicable laws, regulations, or governmental guidelines. When we learn of practices that do not comply with applicable laws, regulations, or government guidelines, including practices relating to homes, buildings, or multifamily properties we build or finance, we move to stop the non-complying practices as soon as possible, and we have

taken disciplinary action regarding subcontractors and employees of ours who were aware of non-complying practices and did not take steps to address them, including in some instances terminating their employment. However, regardless of the steps we take after we learn of practices that do not comply with applicable laws, regulations, or government guidelines, we can in some instances be subject to fines or other governmental penalties, and our reputation can be injured, due to the practices' having taken place.

The homes we sell are built by employees of subcontractors and other contract parties. We do not have the ability to control what these contract parties pay their employees or subcontractors or the work rules they impose on their employees or subcontractors. However, various governmental agencies have attempted to hold contract parties like us responsible for violations of wage and hour laws and other work-related laws by firms whose employees are performing contracted services. Governmental rulings or changes in state or local laws that make us responsible for labor practices by our subcontractors could create substantial exposures for us in situations that are not within our control.

Natural disasters, severe weather conditions and changing climate patterns could delay deliveries, increase costs, and decrease demand for new homes in affected areas.

Our homebuilding operations are located in many areas that are subject to natural disasters and severe weather. The occurrence of natural disasters or severe weather conditions can delay new home deliveries, increase costs by damaging inventories, reduce the availability of materials, and negatively impact the demand for new homes in affected areas. For instance, in 2022, Hurricane Ian caused significant disruptions in Florida but did not result in a material impact to our results of operations. In addition, the increased prevalence of forest fires in recent years in our western markets has caused disruptions to our sales operations and development delays. Significant weather events have contributed to plant closures and transportation delays that have exacerbated stress on our supply chain. Furthermore, if our insurance does not fully cover business interruptions or losses resulting from these events, our earnings, liquidity, or capital resources could be adversely affected.

The impact of climate change and climate change or other governmental regulation may adversely impact our business.

In addition to more frequent extreme weather events, global climate change can also impact our operations through extensive governmental policy developments and shifts in consumer sentiment which have the potential individually or collectively to significantly disrupt our business as well as negatively affect our suppliers, independent contractors and customers. For instance, the requirement to modify our home designs mandated by upgraded building codes or recommended practices given a region's particular exposure to climate conditions can increase our costs, which we may not be able to recoup by increasing the price of our homes. Government restrictions, standards, or regulations intended to reduce greenhouse gas emissions or potential climate change impacts are also likely to result in restrictions on land development in certain areas and may increase energy, transportation, or raw material costs, which could reduce our housing gross profit margins and adversely affect our results of operations. For example, as the risk of flooding in coastal and other flood prone areas increases or the results of climate change result in water scarcity, local governments may increase the requirements on new home builders for zoning approvals and restrict areas where new homes may be built, resulting in increased development costs and greater competition for more desirable land parcels. In addition, as local governmental authorities and utilities are required to spend increasing amounts of their resources responding to and remediating weather and climate related events, their ability to provide approvals and service to new housing communities may be impaired.

Risks Related to our Business Model and Capital Structure

Adverse capital and credit market conditions may significantly affect our access to capital and cost of capital.

The capital and credit markets can experience significant volatility. We may need credit-related liquidity for the future development of our business and other capital needs. Without sufficient liquidity, we may not be able to purchase additional land or develop land, which could adversely affect our financial results. At December 31, 2022, we had cash, cash equivalents, and restricted cash of \$1.1 billion as well as \$946.6 million available under our revolving credit facility ("Revolving Credit Facility"). However, our internal sources of liquidity and Revolving Credit Facility may prove to be insufficient, and, in such case, we may not be able to successfully obtain additional financing on terms acceptable to us, or at all.

Another source of liquidity is our ability to use letters of credit and surety bonds relating to certain performance-related obligations and as security for certain land option agreements and insurance programs. The majority of these letters of credit and surety bonds are in support of our land development and construction obligations to various municipalities, other government agencies, and utility companies related to the construction of roads, sewers, and other infrastructure. At December 31, 2022, we had outstanding letters of credit and surety bonds totaling \$303.4 million and \$2.2 billion, respectively.

These letters of credit are generally issued via our unsecured Revolving Credit Facility, which contains certain financial covenants and other limitations. If we are unable to obtain letters of credit or surety bonds when required, or the conditions imposed by issuers increase significantly, our liquidity could be adversely affected.

Our income tax provision and tax reserves may be insufficient if a taxing authority is successful in asserting positions that are contrary to our interpretations and related reserves, if any.

Significant judgment is required in determining our provision for income taxes and our reserves for federal, state, and local taxes. In the ordinary course of business, there may be matters for which the ultimate outcome is uncertain. Our evaluation of our tax matters is based on a number of factors, including relevant facts and circumstances, applicable tax law, correspondence with tax authorities during the course of audits, and effective settlement of audit issues. Although we believe our approach to determining the tax treatment for such items is appropriate, no assurance can be given that the final tax authority review will not be materially different than that which is reflected in our income tax provision and related tax reserves. Such differences could have a material adverse effect on our income tax provision in the period in which such determination is made and, consequently, on our financial position, cash flows, or net income.

We are periodically audited by various federal, state, and local authorities regarding tax matters. Our current audits are in various stages of completion; however, no outcome for a particular audit can be determined with certainty prior to the conclusion of the audit, appeal, and, in some cases, litigation process. As each audit is concluded, adjustments, if any, are recorded in our financial statements in the period determined. To provide for potential tax exposures, we consider a variety of factors, including relevant facts and circumstances, applicable tax law, correspondence with taxing authorities, and effective settlement of audit issues. If these reserves are insufficient upon completion of an audit, there could be an adverse impact on our financial position, cash flows, and results of operations.

We may not realize our deferred tax assets.

As of December 31, 2022, we had deferred tax assets of \$113.2 million, against which we provided a valuation allowance of \$30.9 million. The ultimate realization of our deferred tax assets is dependent upon generating future taxable income. While we have recorded valuation allowances against certain of our deferred tax assets, the valuation allowances are subject to change as facts and circumstances change.

Our ability to utilize net operating losses (“NOLs”) and other tax attributes to offset our future taxable income or income tax would be limited if we were to undergo an “ownership change” within the meaning of Section 382 of the Internal Revenue Code (the “IRC”).

An “ownership change” under Section 382 of the IRC would establish an annual limitation to the amount of NOLs and other tax attributes we could utilize to offset our taxable income or income tax in any single year. The application of these limitations might prevent full utilization of the deferred tax assets. To preserve our ability to utilize NOLs and other tax attributes in the future without a Section 382 limitation, we adopted a shareholder rights plan, which is triggered upon certain transfers of our securities, and amended our by-laws to prohibit certain transfers of our securities. Our shareholder rights plan, as amended, expires June 1, 2025, unless our Board of Directors and shareholders approve an amendment to extend the term prior thereto. Notwithstanding the foregoing measures, there can be no assurance that we will not undergo an ownership change within the meaning of Section 382. In addition, our shareholder rights plan may adversely affect the marketability of our common stock, because any non-exempt third party that acquires shares of our common stock in excess of the applicable threshold would suffer substantial dilution of its ownership interest.

The value of our deferred tax assets and liabilities are also dependent upon the tax rates expected to be in effect at the time they are realized. A change in enacted corporate tax rates in our major jurisdictions, especially the U.S. federal corporate tax rate, would change the value of our deferred taxes, which could be material.

Our inability to sell mortgages into the secondary market could significantly reduce our ability to sell homes unless we are willing to become a long-term investor in loans we originate.

We sell substantially all of the residential mortgage loans we originate within a short period in the secondary mortgage market. If we were unable to sell loans into the secondary mortgage market or directly to Fannie Mae and Freddie Mac, we would have to either (a) curtail our origination of residential mortgage loans, which among other things, could significantly reduce our ability to sell homes, or (b) commit our own funds to long term investments in mortgage loans, which, in addition to requiring

us to deploy substantial amounts of our own funds, could delay the time when we recognize revenues from home sales on our statements of operations.

We are subject to claims related to mortgage loans we sold in the secondary mortgage market that may be significant.

Our mortgage operations may be responsible for losses arising out of claims associated with mortgage loans originated and sold to investors in the event of errors or omissions relating to certain representations and warranties made by us that the loans met certain requirements, including representations as to underwriting standards, the type of collateral, the existence of primary mortgage insurance, and the validity of certain borrower representations in connection with the loan. To date, the significant majority of these claims made by investors against our mortgage operations relate to loans originated prior to 2009, during which time inherently riskier loan products became more common in the origination market. We may also be asked to indemnify underwriters that purchased and securitized loans originated by a former subsidiary of Centex Corporation ("Centex"), which we acquired in 2009, for losses incurred by investors in those securitized loans based on similar breaches of representations and warranties.

The resolution of claims related to alleged breaches of these representations and warranties and repurchase claims could have a material adverse effect on our financial condition, cash flows and results of operations. Given the unsettled nature of these claims, changes in values of underlying collateral over time, and other uncertainties regarding the ultimate resolution of these claims, actual costs could differ from our current estimates. Accordingly, there can be no assurance that such reserves will not need to be increased in the future.

General Risk Factors

Information technology failures or data security breaches could harm our business and result in substantial costs.

We use information technology and other computer resources to carry out important operational activities and to maintain our business records. Our computer systems, including our back-up systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches (through cyber-attacks from computer hackers and sophisticated organizations), catastrophic events such as fires, tornadoes and hurricanes, usage errors by our employees, or cyber-attacks or errors by third party vendors who have access to our confidential data or that of our customers. While to our knowledge we have not experienced a significant cyber-attack, we are continuously working to improve our information technology systems and provide employee awareness training around phishing, malware, and other cyber risks to enhance our levels of protection, to the extent possible, against cyber risks and security breaches, and monitor to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have an impact on our business, there is no assurance that advances in computer capabilities, new technologies, methods or other developments will detect or prevent security breaches and safeguard access to proprietary or confidential information.

The frequency and sophistication of cyber-attacks on companies has increased in recent years, including significant ransomware attacks and foreign attacks on prominent companies and computer software programs. If our computer systems and our back-up systems are damaged, breached, or cease to function properly, or if there are intrusions or failures of critical infrastructure such as the power grid or communications systems, we could suffer extended interruptions in our operations. Any such disruption could damage our reputation, result in lost customers, lost revenue and market value declines, lead to legal proceedings against us by affected third parties resulting in penalties or fines and require us to incur significant costs to remediate or otherwise resolve these issues. In addition, the costs of maintaining adequate protection and insurance against such threats, as they develop in the future (or as legal requirements related to data security increase) could be material.

Breaches of our computer or data systems, including those operated by third parties on our behalf, could result in the unintended public disclosure or the misappropriation of our proprietary information or personal and confidential information, about our employees, customers and business partners, requiring us to incur significant expense to address and resolve. The misappropriation and/or release of confidential information may also lead to legal or regulatory proceedings against us by affected individuals and the outcome of such proceedings could include penalties or fines and require us to incur significant costs to remediate or otherwise resolve. Depending on its nature, a particular breach or series of breaches of our systems may result in the unauthorized use, appropriation or loss of confidential or proprietary information on a one-time or continuing basis, which may not be detected for a period of time.

Negative publicity could negatively impact sales, which could cause our revenues or results of operations to decline.

Our business strategy relies heavily on our reputation and brands, which are critical to our success. Unfavorable media or investor and analyst reports related to our industry, company, brand, marketing, personnel, operations, business performance, or prospects may affect our stock price and the performance of our business, regardless of its accuracy or inaccuracy. Furthermore, the speed at which negative publicity is disseminated has increased dramatically through the use of electronic communication, including social media outlets, websites and other digital platforms. Our success in maintaining and enhancing our brand depends on our ability to adapt to this rapidly changing media environment. Adverse publicity or negative commentary from any media outlets could damage our reputation and reduce the demand for our homes, which would adversely affect our business.

In addition, we can be affected by poor relations with the residents of communities we develop because efforts made by us to resolve issues or disputes that may arise in connection with the operation or development of their communities, or in connection with the transition of a homeowners association, could be deemed unsatisfactory by the affected residents and subsequent actions by these residents could adversely affect sales or our reputation. In addition, we could decide or be required to make material expenditures related to the settlement of such issues or disputes, which could adversely affect our results of operations.

The loss of the services of members of our senior management or a significant number of our operating employees could negatively affect our business.

Our success depends upon the skills, experience, and active participation of our senior management, many of whom have been with the Company for a significant number of years. If we were to lose members of our senior management, we might not be able to find appropriate replacements on a timely basis, and our operations could be negatively affected. Also, the loss of a significant number of operating employees in key roles or geographies where we are not able to hire qualified replacements could have a material adverse effect on our business.

We have significant intangible assets. If these assets become impaired, then our profits and shareholders' equity may be reduced.

We have significant intangible assets related to business combinations. If the carrying value of intangible assets is deemed impaired, the carrying value is written down to fair value. This would result in a charge to our earnings. If management's expectations of future results and cash flows decrease significantly, impairments of intangible assets may occur.

Our business has been materially and adversely disrupted by the ongoing outbreak and worldwide spread of COVID-19 and could be materially and adversely disrupted by another epidemic or pandemic like COVID-19, or similar public threat, or fear of such an event, and the measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities implement to address it.

Any epidemic, pandemic, or similar serious public health issue, and the measures undertaken by governmental authorities to address it, could significantly disrupt or prevent us from operating our business in the ordinary course for an extended period. As a result, the impact of such public health issues and the related governmental actions could have a significant adverse impact on our consolidated financial statements.

For instance, in 2020, the World Health Organization declared COVID-19 a pandemic, resulting in federal, state and local governments and private entities mandating various restrictions, including the closures of non-essential businesses for a period of time. These restrictions had an adverse impact on our business beginning in the spring of 2020. As effective treatment and mitigation measures for COVID-19 advanced, economic activity gradually resumed and demand for new homes improved significantly. The effects of the pandemic on economic activity, combined with the strong demand for new homes, caused many disruptions to our supply chain and shortages in certain building components and materials, as well as labor shortages. These conditions caused our construction cycles to lengthen and while our business is now fully functioning, some of those conditions continue to impact our operations and financial performance.

There is continuing uncertainty regarding how long COVID-19 and its resultant effect on the economy will continue to impact our supply chain and operations. Our operational and financial performance could be impacted by a resurgence in the pandemic and any containment or mitigation measures put in place as a result of the resurgence, all of which are highly uncertain, unpredictable and outside our control. If COVID-19 or any of its variants continues to have a significant negative impact on the economy, or if a new pandemic emerges, our results of operations and financial condition could be adversely impacted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our homebuilding and corporate headquarters are located in leased office facilities at 3350 Peachtree Road NE, Suite 1500, Atlanta, Georgia 30326. Pulte Mortgage leases its primary office facilities in Englewood, Colorado. We also maintain various support functions in leased facilities in Tempe, Arizona. Our homebuilding divisions and financial services branches lease office space in the geographic locations in which they conduct their daily operations. In total across our organization, we lease approximately 1.6 million square feet of office space. The Company considers its properties suitable and adequate for its current business operations.

Because of the nature of our homebuilding operations, significant amounts of property are held as inventory in the ordinary course. Such properties are not included in response to this Item.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various legal and governmental proceedings incidental to our continuing business operations, many involving claims related to certain construction defects. The consequences of these matters are not presently determinable but, in our opinion, after consulting with legal counsel and taking into account insurance and reserves, the ultimate liability is not expected to have a material adverse impact on our results of operations, financial position, or cash flows. However, to the extent the liability arising from the ultimate resolution of any matter exceeds our estimates reflected in the recorded reserves relating to such matter, we could incur additional charges that could be significant.

ITEM 4. MINE SAFETY DISCLOSURES

This Item is not applicable.

PART II**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common shares are listed on the New York Stock Exchange (Symbol: PHM). At January 18, 2023, there were 2,001 shareholders of record.

In December 2022, our Board of Directors approved a quarterly cash dividend of \$0.16 per common share, payable on January 3, 2023, to shareholders of record on December 14, 2022. The declaration of future cash dividends is at the discretion of our Board of Directors and will depend upon our future earnings, capital requirements and liquidity, cash flows, and financial conditions.

Issuer Purchases of Equity Securities

	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (\$000's omitted)
October 1, 2022 to October 31, 2022	796,762	\$ 39.09	796,762	\$ 451,750 (2)
November 1, 2022 to November 30, 2022	830,203	41.42	830,203	\$ 417,360 (2)
December 1, 2022 to December 31, 2022	765,060	45.05	765,060	\$ 382,896 (2)
Total	2,392,025	\$ 41.81	2,392,025	

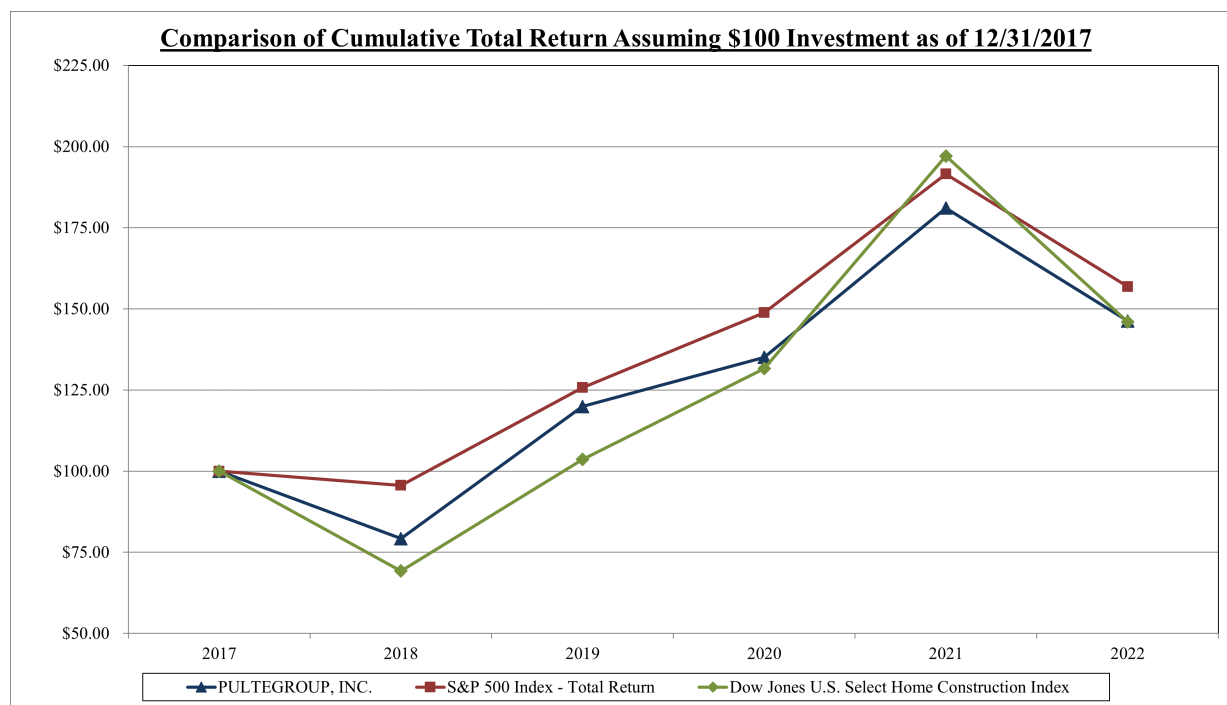
- (1) During 2022, participants surrendered shares for payment of minimum tax obligations upon the vesting or exercise of previously granted share-based compensation awards. Such shares were not repurchased as part of our publicly-announced share repurchase programs and are excluded from the table above.
- (2) The Board of Directors approved a share repurchase authorization increase of \$1.0 billion on January 31, 2022. There is no expiration date for this program, under which \$382.9 million remained available as of December 31, 2022. During 2022, we repurchased 24.2 million shares for a total of \$1.1 billion under this program.

The information required by this item with respect to equity compensation plans is set forth under [Item 12](#) of this annual report on Form 10-K and is incorporated herein by reference.

Performance Graph

The following line graph compares, for the fiscal years ended December 31, 2018, 2019, 2020, 2021, and 2022, (a) the yearly cumulative total shareholder return (i.e., the change in share price plus the cumulative amount of dividends, assuming dividend reinvestment, divided by the initial share price, expressed as a percentage) on PulteGroup's common shares, with (b) the cumulative total return of the Standard & Poor's 500 Stock Index and with (c) the Dow Jones U.S. Select Home Construction Index. The Dow Jones U.S. Select Home Construction Index is a widely-recognized index comprised primarily of large national homebuilders. We believe comparison of our shareholder return to this index represents a meaningful analysis for investors.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN* AMONG PULTEGROUP, INC., S&P 500 INDEX, AND PEER INDEX Fiscal Year Ended December 31, 2022



	2017	2018	2019	2020	2021	2022
PULTEGROUP, INC.	\$ 100.00	\$ 79.24	\$ 119.91	\$ 135.08	\$ 181.06	\$ 146.27
S&P 500 Index - Total Return	100.00	95.62	125.72	148.85	191.58	156.88
Dow Jones U.S. Select Home Construction Index	100.00	69.27	103.63	131.60	197.10	146.02

* Assumes \$100 invested on December 31, 2017, and the reinvestment of dividends.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Our home sales revenues increased 18% in 2022 compared to 2021, while our gross margins increased 330 bps. These results were driven by increases in selling prices in response to robust consumer demand in 2021 and early 2022, when the majority of the homes closed in 2022 were placed under contract with customers. However, the strength of new home demand rapidly declined starting in the second quarter of 2022 as the Federal Reserve increased benchmark interest rates in response to inflation, which, in turn, drove national mortgage and other interest rates higher, impacting home affordability and consumer sentiment. These increases in interest rates, along with ongoing high inflation, waning consumer confidence, and other macroeconomic factors, have tempered new home demand in all of our markets. As a result, net new orders declined 27% for the year ended 2022 compared to 2021. This decline was concentrated in the back half of the year, with net new orders declining 28% and 41% in the third and fourth quarters, respectively, compared with the same periods in 2021. As a result, our order backlog in units decreased 32% from December 31, 2021 to December 31, 2022. In addition to lower new orders, our order cancellation rate also increased significantly in the second half of 2022, ending the year with a fourth quarter cancellation rate of 32% compared with 11% in the fourth quarter of 2021.

Supply chain constraints that began after the onset of the COVID-19 pandemic have continued to limit the availability of certain materials and construction labor, which, combined with delays in municipal approvals and inspections, continue to pressure production cycle times of the homes we are constructing. The time required to construct a home was approximately two months longer in 2022 compared with 2021. The noted supply chain and labor issues have led to significant cost pressures in almost all areas of our business, but especially related to construction labor and materials. For example, lumber experienced heightened volatility during 2022, evidenced by a nearly 75% decrease from its early 2022 peak to its price on December 31, 2022. Despite these challenges, pricing remained elevated in 2022 overall as average selling prices increased 17% compared to 2021. In 2021 and the first half of 2022, we were able to increase pricing to offset the majority of such cost increases, but pricing may be significantly more challenged in the near term given the lower demand for new homes.

In response to the significant shift in market conditions in 2022, we have slowed the pace of our housing starts, have increased sales incentives, and are taking additional pricing actions in the majority of our communities. We are updating the underwriting for each of our land option contracts prior to buying additional land and have made decisions in recent months to terminate a number of land option agreements, which resulted in write-offs of deposits and pre-acquisition costs totaling \$63.6 million in 2022. We plan to work with our trade partners to update the costs for materials, labor, and services to reflect current market conditions and will adjust our overhead cost structure as necessary to align with demand.

Despite these challenges, we remain focused on taking a measured approach to our capital allocation strategy in response to the current operating environment. Accordingly, we are focused on protecting liquidity and closely managing our cash flows, including the following planned actions:

- Limiting our investment in land acquisition and development spend in 2023;
- Updating the underwriting on each of our land option contracts prior to buying additional land;
- Continuing our focus on increasing our lot optionality within our land pipeline for increased flexibility;
- Maintaining a sufficient level of spec inventory in response to buyer preference to close in 30 to 90 days;
- Taking a more opportunistic approach to share buybacks; and
- Maintaining ample liquidity.

We expect that the more challenging environment for new residential housing will continue through at least 2023 and will result in lower revenues and profitability during those periods. Despite these conditions, there remains a housing shortage across the United States, and we are confident in our ability to navigate this environment and to position the Company to take advantage of opportunities as they arise.

The following tables and related discussion set forth key operating and financial data for our Homebuilding and Financial Services operations as of and for the fiscal years ended December 31, 2022 and 2021. For similar operating and financial data and discussion of our fiscal 2021 results compared to our fiscal 2020 results, refer to Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under Part II of our annual report on Form 10-K for the fiscal year ended December 31, 2021, which was filed with the SEC on February 7, 2022.

The following is a summary of our operating results by line of business (\$000's omitted, except per share data):

	Years Ended December 31,	
	2022	2021
Income before income taxes:		
Homebuilding	\$ 3,307,328	\$ 2,288,128
Financial Services	132,230	221,717
Income before income taxes	3,439,558	2,509,845
Income tax expense	(822,241)	(563,525)
Net income	\$ 2,617,317	\$ 1,946,320
Per share data - assuming dilution:		
Net income	\$ 11.01	\$ 7.43

- Homebuilding income before income taxes increased 45% in 2022, primarily as the result of a 17% higher average selling price combined with a 330 bps increase in gross margin due to the robust consumer demand environment in 2021 and early 2022 when the majority of the homes closed in 2022 were placed under contract with the customers.
- Financial Services income before income taxes decreased 40% in 2022 compared with 2021 primarily as the result of a lower capture rate and revenue per loan due to increased competitiveness in the mortgage industry in 2022.
- Our effective income tax rate was 23.9% and 22.5% for 2022 and 2021, respectively. The higher effective tax rate in 2022 was primarily due to changes in valuation allowances relating to projected utilization of certain state net operating loss carryforwards (see [Note 8](#)).

Homebuilding Operations

The following is a summary of income before income taxes for our Homebuilding operations (\$000's omitted):

	Years Ended December 31,		
	2022	FY 2022 vs. FY 2021	2021
Home sale revenues	\$ 15,774,135	18 %	\$ 13,376,812
Land sale and other revenues	143,144	(11)%	160,538
Total Homebuilding revenues	15,917,279	18 %	13,537,350
Home sale cost of revenues (a)	(11,093,895)	13 %	(9,841,961)
Land sale and other cost of revenues	(119,906)	(11)%	(134,013)
Selling, general, and administrative expenses ("SG&A")	(1,381,222)	14 %	(1,208,698)
Loss on debt retirement	—	(b)	(61,469)
Other expense, net (c)	(14,928)	(b)	(3,081)
Income before income taxes	\$ 3,307,328	45 %	\$ 2,288,128
Supplemental data:			
Gross margin from home sales (a)	29.7 %	330 bps	26.4 %
SG&A % of home sale revenues	8.8 %	(20) bps	9.0 %
Closings (units)	29,111	1 %	28,894
Average selling price	\$ 542	17 %	\$ 463
Net new orders:			
Units	23,277	(27)%	31,739
Dollars	\$ 13,589,392	(17)%	\$ 16,442,441
Cancellation rate	19 %		9 %
Average active communities	810	1 %	799
Backlog at December 31:			
Units	12,169	(32)%	18,003
Dollars	\$ 7,674,068	(22)%	\$ 9,858,811

(a) Includes the amortization of capitalized interest.

(b) Percentage not meaningful.

(c) See "Other expense, net" for a table summarizing significant items (see [Note 1](#)).

Home sale revenues

Home sale revenues for 2022 were higher than 2021 by \$2.4 billion, or 18%. The increase was attributable to a 17% increase in average selling price combined with a 1% increase in closings. The increase in average selling price reflects the impact of pricing actions taken in response to robust consumer demand in 2021 and early 2022 when the majority of the homes that closed in 2022 were placed under contract with customers, partially offset by an increase in the mix of first-time buyer homes, which typically carry a lower sales price. The year-over-year increase in average selling price occurred in substantially all of our markets.

Home sale gross margins

Home sale gross margins were 29.7% in 2022, compared with 26.4% in 2021. Gross margins remained strong in both 2022 and 2021 relative to historical levels. Gross margins reflect the robust consumer demand that existed in 2021 and early 2022 when the majority of the homes that closed were placed under contract with customers, combined with limited supplies of new and existing housing inventory. This resulted in a strong pricing environment, which allowed us to offset increases in house and land costs through pricing actions in 2022.

Land sale and other revenues

We periodically elect to sell parcels of land to third parties in the event such assets no longer fit into our strategic operating plans or are zoned for commercial or other development. Land sale and other revenues and their related gains or losses vary between periods, depending on the timing of land sales and our strategic operating decisions. Land sales and other revenues contributed income of \$23.2 million and \$26.5 million in 2022 and 2021, respectively. Income in 2021 included a gain of \$12.9 million related to a land sale transaction in California that had been in the entitlement process for a number of years.

SG&A

SG&A as a percentage of home sale revenues was 8.8% and 9.0% in 2022 and 2021, respectively. The gross dollar amount of our SG&A increased \$172.5 million, or 14%, in 2022 compared with 2021. This increase resulted primarily from higher sales commissions expense due to the higher revenues, increased headcount, and other overhead costs to support the increased number of homes in production. These results also reflect insurance reserve reversals of \$65.0 million and \$81.1 million in 2022 and 2021, respectively, based on favorable claims experience in recent years relative to historical expectations.

Other expense, net

Other expense, net includes the following (\$000's omitted):

	2022	2021
Write-offs of deposits and pre-acquisition costs (Note 2)	\$ (63,559)	\$ (12,283)
Amortization of intangible assets (Note 1)	(11,118)	(16,502)
Interest income	1,971	1,953
Interest expense	(284)	(502)
Equity in earnings of unconsolidated entities (Note 4)	50,680	17,200
Miscellaneous, net	7,382	7,053
Total other expense, net	<u>\$ (14,928)</u>	<u>\$ (3,081)</u>

The higher write-offs of deposits and pre-acquisition costs in 2022 occurred primarily in the second half of 2022 as we made decisions to terminate a number of land option agreements due to the aforementioned lower consumer demand in recent months. Equity in earnings of unconsolidated entities reflects our share of earnings from joint ventures and other investments with independent third parties, and varies between periods based on the performance of the underlying investments. The 2022 results included a gain of \$49.1 million related to a property sale in an unconsolidated entity in Northern California.

Net new orders

Net new orders in units decreased 27% in 2022 compared with 2021, while net new orders in dollars decreased by 17% compared with 2021. The lower new order volume began in mid-2022 as the market responded to increased affordability.

challenges resulting from a historic increase in mortgage interest rates, increases in the price of homes, and the impact of inflationary pressures in the broader economy. Likewise, the annual cancellation rate (canceled orders for the period divided by gross new orders for the period) increased significantly to 19% in 2022 compared to 9% in 2021, including a fourth quarter cancellation rate of 32% compared with 11% in the fourth quarter of 2021. Ending backlog dollars, which represents orders for homes that have not yet closed, decreased 22% in 2022 compared with 2021 as the result of the lower net new orders.

Homes in production

The following is a summary of our homes in production at December 31, 2022 and 2021:

	2022	2021
Sold	10,247	14,228
Unsold		
Under construction	6,874	4,105
Completed	982	90
	7,856	4,195
Models	1,298	1,275
Total	19,401	19,698

The number of homes in production at December 31, 2022 was 2% lower compared to December 31, 2021. This decrease is primarily attributable to the lower number of sold homes as a result of decreased new orders and higher cancellations. This decrease was partially offset by a higher level of unsold homes, or speculative homes, under construction, which reflects our strategic decision to increase housing starts of speculative units in response to the noted supply chain challenges and to have product available that can close quickly for customers that are concerned about potentially higher mortgage interest rates. The higher cancellation rate in 2022 also contributed to the increase in unsold inventory.

Controlled lots

The following is a summary of our lots under control at December 31, 2022 and 2021:

	December 31, 2022			December 31, 2021		
	Ow ned	Optioned	Controlled	Ow ned	Optioned	Controlled
Northeast	4,295	7,502	11,797	4,422	7,637	12,059
Southeast	16,692	23,433	40,125	15,604	28,887	44,491
Florida	26,413	29,667	56,080	27,654	32,240	59,894
Midwest	12,923	13,128	26,051	11,723	17,118	28,841
Texas	20,197	14,438	34,635	20,538	21,235	41,773
West	28,328	14,096	42,424	29,137	12,101	41,238
Total	108,848	102,264	211,112	109,078	119,218	228,296
	52 %	48 %	100 %	48 %	52 %	100 %
Developed (%)	43 %	16 %	30 %	38 %	13 %	25 %

While competition for well-positioned land remains robust, we continue to pursue land investments that we believe can achieve appropriate risk-adjusted returns on invested capital. We also continue to seek to maintain a high percentage of our lots that are controlled via land option agreements as such contracts enable us to defer acquiring portions of properties owned by third parties or unconsolidated entities until we have determined whether and when to exercise our option, which reduces our financial risks associated with long-term land holdings. However, the percentage of lots controlled via land option agreements decreased in 2022 as the result of our decision to terminate a number of pending transactions. The remaining purchase price under our land option agreements totaled \$5.4 billion at December 31, 2022.

Homebuilding Segment Operations

Our homebuilding operations represent our core business. Homebuilding offers a broad product line to meet the needs of homebuyers in our targeted markets. As of December 31, 2022, we conducted our operations in 42 markets located throughout 24 states. For reporting purposes, our Homebuilding operations are aggregated into six reportable segments:

Northeast:	<i>Connecticut, Maryland, Massachusetts, New Jersey, Pennsylvania, Virginia</i>
Southeast:	<i>Georgia, North Carolina, South Carolina, Tennessee</i>
Florida:	<i>Florida</i>
Midwest:	<i>Illinois, Indiana, Kentucky, Michigan, Minnesota, Ohio</i>
Texas:	<i>Texas</i>
West:	<i>Arizona, California, Colorado, Nevada, New Mexico, Washington</i>

We also have a reportable segment for our financial services operations, which consist principally of mortgage banking, title, and insurance brokerage operations. The Financial Services segment operates generally in the same markets as the Homebuilding segments.

The following table presents selected financial information for our reportable Homebuilding segments:

Operating Data by Segment (\$000's omitted)			
Years Ended December 31,			
	2022	FY 2022 vs. FY 2021	2021
Home sale revenues:			
Northeast	\$ 1,076,710	(4)%	\$ 1,127,182
Southeast	2,792,324	25 %	2,231,002
Florida	3,867,855	27 %	3,040,360
Midwest	2,314,600	17 %	1,971,593
Texas	2,227,379	24 %	1,800,767
West	3,495,267	9 %	3,205,908
	<u>\$ 15,774,135</u>	<u>18 %</u>	<u>\$ 13,376,812</u>
Income before income taxes (a):			
Northeast	\$ 244,233	13 %	\$ 215,193
Southeast	692,279	66 %	417,880
Florida	939,034	60 %	585,680
Midwest	363,028	26 %	287,956
Texas	465,461	44 %	322,979
West (b)	687,403	16 %	592,845
Other homebuilding (c)	(84,110)	37 %	(134,405)
	<u>\$ 3,307,328</u>	<u>45 %</u>	<u>\$ 2,288,128</u>
Closings (units):			
Northeast	1,614	(18)%	1,963
Southeast	5,105	3 %	4,956
Florida	6,928	4 %	6,640
Midwest	4,579	4 %	4,397
Texas	5,692	1 %	5,617
West	5,193	(2)%	5,321
	<u>29,111</u>	<u>1 %</u>	<u>\$ 28,894</u>
Average selling price:			
Northeast	\$ 667	16 %	\$ 574
Southeast	547	22 %	450
Florida	558	22 %	458
Midwest	505	13 %	448
Texas	391	22 %	321
West	673	12 %	603
	<u>\$ 542</u>	<u>17 %</u>	<u>\$ 463</u>

(a) Includes land-related charges as summarized in the following land-related charges table (see [Notes 2 and 3](#)).

(b) West includes a gain of \$49.1 million related to a property sale in an unconsolidated entity in Northern California.

(c) Other homebuilding includes the amortization of intangible assets, amortization of capitalized interest, and other items not allocated to the operating segments. Also includes: insurance reserve reversals of \$65.0 million and \$81.1 million in 2022 and 2021, respectively (see [Note 11](#)), and a loss on debt retirement of \$61.5 million in 2021 (see [Note 5](#)).

The following table presents additional selected financial information for our reportable Homebuilding segments:

Operating Data by Segment (\$000's omitted)			
Years Ended December 31,			
	2022	FY 2022 vs. FY 2021	2021
Net new orders - units:			
Northeast	1,300	(28)%	1,798
Southeast	4,535	(11)%	5,092
Florida	6,139	(27)%	8,416
Midwest	3,241	(34)%	4,886
Texas	4,382	(23)%	5,663
West	3,680	(37)%	5,884
	23,277	(27)%	31,739
Net new orders - dollars:			
Northeast	\$ 908,136	(16)%	\$ 1,077,091
Southeast	2,561,279	—%	2,562,954
Florida	3,941,197	(12)%	4,470,326
Midwest	1,753,351	(25)%	2,329,112
Texas	1,779,578	(16)%	2,121,278
West	2,645,851	(32)%	3,881,680
	\$ 13,589,392	(17)%	\$ 16,442,441
Cancellation rates:			
Northeast	11%		7%
Southeast	12%		6%
Florida	15%		8%
Midwest	12%		7%
Texas	26%		13%
West	30%		11%
	19%		9%
Unit backlog:			
Northeast	474	(40)%	788
Southeast	1,906	(23)%	2,476
Florida	4,641	(15)%	5,430
Midwest	1,350	(50)%	2,688
Texas	1,789	(42)%	3,099
West	2,009	(43)%	3,522
	12,169	(32)%	18,003
Backlog dollars:			
Northeast	\$ 342,658	(33)%	\$ 511,231
Southeast	1,131,817	(17)%	1,362,863
Florida	3,131,174	2%	3,057,832
Midwest	786,905	(42)%	1,348,155
Texas	853,801	(34)%	1,301,602
West	1,427,713	(37)%	2,277,128
	\$ 7,674,068	(22)%	\$ 9,858,811

The following table presents additional selected financial information for our reportable Homebuilding segments:

	Operating Data by Segment (\$000's omitted)	
	Years Ended December 31,	
	2022	2021
Land-related charges*:		
Northeast	\$ 4,597	\$ 1,433
Southeast	18,381	5,365
Florida	13,515	1,088
Midwest	6,517	2,150
Texas	6,745	1,357
West	16,406	909
Other homebuilding	495	—
	<u>\$ 66,656</u>	<u>\$ 12,302</u>

* Land-related charges include land impairments, net realizable value adjustments for land held for sale, and write-offs of deposits and pre-acquisition costs. Other homebuilding consists primarily of write-offs of capitalized interest resulting from land-related charges. See [Notes 2 and 3](#) to the Consolidated Financial Statements for additional discussion of these charges.

Northeast:

For 2022, Northeast home sale revenues decreased 4% compared with 2021 due to an 18% decrease in closings partially offset by a 16% increase in average selling price. The decrease in closings and increase in average selling price occurred across all markets. Income before income taxes increased 13% primarily due to improved gross margins across the majority of markets. Net new orders decreased across all markets.

Southeast:

For 2022, Southeast home sale revenues increased 25% compared with 2021 due to a 3% increase in closings combined with a 22% increase in average selling price. The increase in closings occurred across the majority of markets while the increase in average selling price occurred across all markets. Income before income taxes increased 66% primarily due to increased revenues, as well as improved gross margins across all markets. Net new orders decreased across all markets.

Florida:

For 2022, Florida home sale revenues increased 27% compared with 2021 due to a 4% increase in closings combined with a 22% increase in average selling price. The increase in closings occurred across the majority of markets while the increase in average selling price occurred across all markets. Income before income taxes increased 60% due to increased revenues, as well as improved gross margins across all markets. Net new orders decreased across the majority of markets.

Midwest:

For 2022, Midwest home sale revenues increased 17% compared with 2021 due to a 4% increase in closings combined with a 13% increase in average selling price. The increase in closings occurred across the majority of markets while the increase in average selling price occurred across all markets. Income before income taxes increased 26% primarily due to increased revenues, as well as improved gross margins across substantially all markets. Net new orders decreased across all markets.

Texas:

For 2022, Texas home sale revenues increased 24% compared with 2021 due to a 1% increase in closings combined with a 22% increase in the average selling price. The increase in closings occurred across the majority of markets while the increase in average selling price occurred across all markets. Income before income taxes increased 44% primarily due to increased revenues, as well as improved gross margins across substantially all markets. Net new orders decreased across the majority of markets.

West:

For 2022, West home sale revenues increased 9% compared with 2021 primarily due to a 12% increase in the average selling price partially offset by a 2% decrease in closings. The decrease in closings occurred across the majority of markets while the increase in average selling price occurred across all markets. Income before income taxes increased 16% primarily due to increased revenues, as well as improved gross margins, which were mixed among markets. Results for 2022 included a gain of \$49.1 million related to a property sale in an unconsolidated entity in Northern California, while the 2021 results included a gain of \$12.9 million related to a land sale transaction in California that had been in the entitlement process for a number of years. Net new orders decreased across all markets.

Financial Services Operations

We conduct our Financial Services operations, which include mortgage banking, title, and insurance brokerage operations, through Pulte Mortgage and other subsidiaries. In originating mortgage loans, we initially use our own funds, including funds available pursuant to credit agreements with third parties. Substantially all of the loans we originate are sold in the secondary market within a short period of time after origination, generally within 30 days. We also sell the servicing rights for the loans we originate through fixed price servicing sales contracts to reduce the risks and costs inherent in servicing loans. This strategy results in owning the loans and related servicing rights for only a short period of time. Operating as a captive business model primarily targeted to supporting our Homebuilding operations, the business levels of our Financial Services operations are highly correlated to Homebuilding. Our Homebuilding customers continue to account for substantially all loan production. We believe that our capture rate, which represents loan originations from our Homebuilding operations as a percentage of total loan opportunities from our Homebuilding operations, excluding cash closings, is an important metric in evaluating the effectiveness of our captive mortgage business model. The following tables present selected financial information for our Financial Services operations (\$000's omitted):

	Years Ended December 31,		
	2022	FY 2022 vs. FY 2021	2021
Mortgage revenues	\$ 206,932	(32)%	\$ 304,287
Title services revenues	80,198	14 %	70,084
Insurance brokerage commissions	24,586	62 %	15,161
Total Financial Services revenues	311,716	(20)%	389,532
Expenses	(180,696)	7 %	(168,486)
Other income (expense), net	1,210	(a)	671
Income before income taxes	\$ 132,230	(40)%	\$ 221,717
<u>Total originations:</u>			
Loans	18,186	(14)%	21,213
Principal	\$ 7,105,486	(5)%	\$ 7,454,108

(a) Percentage not meaningful

	Years Ended December 31,	
	2022	2021
Supplemental data:		
Capture rate	77.6 %	85.8 %
Average FICO score	748	751
Funded origination breakdown:		
Government (FHA, VA, USDA)	19 %	19 %
Other agency	74 %	73 %
Total agency	93 %	92 %
Non-agency	7 %	8 %
Total funded originations	100 %	100 %

Revenues

The demand for refinancing within the mortgage industry waned in 2021 and throughout 2022 as mortgage interest rates began to rise, which led to an increase in competition among lenders and lower margins per loan. As a result, total Financial Services revenues during 2022 decreased 20% compared with 2021. These factors were partially offset by a higher average loan amount as the result of the higher average selling price within Homebuilding.

Income before income taxes

The decrease in income before income taxes for 2022 as compared with 2021 was primarily due to a lower capture rate and revenue per loan due to increased competitiveness in the mortgage industry in 2022.

Income Taxes

Our effective income tax rate was 23.9% and 22.5% for 2022 and 2021, respectively. The higher effective tax rate in 2022 was primarily due to changes in valuation allowances relating to projected utilization of certain state net operating loss carryforwards in 2022 (see [Note 8](#)).

Liquidity and Capital Resources

We finance our land acquisition, development, and construction activities and financial services operations using internally-generated funds, supplemented by credit arrangements with third parties and capital market financing. We routinely monitor current and expected operational requirements and financial market conditions to evaluate accessing available financing sources, including revolving bank credit and securities offerings.

At December 31, 2022, we had unrestricted cash and equivalents of \$1.1 billion, restricted cash balances of \$41.4 million, and \$946.6 million available under our Revolving Credit Facility (as defined below). We follow a diversified investment approach for our cash and equivalents by maintaining such funds with a broad portfolio of banks within our group of relationship banks in high quality, highly liquid, short-term deposits and investments. Our ratio of debt-to-total capitalization, excluding our Financial Services debt, was 18.7% at December 31, 2022 as compared with 21.3% at December 31, 2021.

For the next twelve months, we expect our principal demand for funds will be for the acquisition and development of land inventory, construction of house inventory, and operating expenses, including our general and administrative expenses. The elongation of our production cycle has required a greater investment of cash in our homes under production. Additionally, we plan to continue our dividend payments and repurchases of common stock. Within the next twelve months, we need to repay or refinance Pulte Mortgage's master repurchase agreement with third-party lenders (the "Repurchase Agreement"). While we intend to refinance the Repurchase Agreement prior to its maturity, there can be no assurances that the Repurchase Agreement can be renewed or replaced on commercially reasonable terms upon its expiration. However, we believe we have adequate liquidity to meet Pulte Mortgage's anticipated financing needs. Beyond the next twelve months, we will need to repay or refinance our Revolving Credit Facility, which matures in June 2027, and our unsecured senior notes, the next tranche of which comes due in 2026.

We believe that our current cash position and other available financing resources, coupled with our ongoing operating activities, will provide sufficient liquidity to fund our business needs over the next twelve months and beyond. To the extent the sources of capital described above are insufficient to meet our needs, we may also conduct additional public offerings of our securities, refinance debt, dispose of certain assets to fund our operating activities, or draw on existing or new debt facilities.

Unsecured senior notes

At December 31, 2022, we had \$2.0 billion of unsecured senior notes outstanding with no repayments due until March 2026 when \$500.0 million of notes are scheduled to mature.

During 2021, we retired \$426.0 million of senior notes at their scheduled maturity date and also accelerated the retirement of \$200.0 million and \$100.0 million of our unsecured notes scheduled to mature in 2026 and 2027, respectively, through a cash tender offer. The tender offer resulted in a loss of \$61.5 million, which included the write-off of debt issuance costs, unamortized discounts and premiums, and transaction fees.

Other notes payable

Other notes payable include non-recourse and limited recourse secured notes with third parties that totaled \$55.2 million at December 31, 2022. These notes have maturities ranging up to four years, are secured by the applicable land positions to which they relate, and generally have no recourse to other assets. The stated interest rates on these notes range up to 6%.

Joint venture debt

At December 31, 2022, aggregate outstanding debt of unconsolidated joint ventures was \$77.3 million, of which \$42.0 million related to one joint venture in which we have a 50% interest. In connection with this loan, we and our joint venture partner provided customary limited recourse guaranties in which our maximum financial loss exposure is limited to our pro rata share of the debt outstanding.

Revolving credit facility

We maintain a revolving credit facility ("Revolving Credit Facility") maturing in June 2027 that has a maximum borrowing capacity of \$1.3 billion and contains an uncommitted accordion feature that could increase the capacity to \$1.8 billion, subject to certain conditions and availability of additional bank commitments. The Revolving Credit Facility also provides for the issuance of letters of credit that reduce the available borrowing capacity under the Revolving Credit Facility, up to the maximum borrowing capacity. The interest rate on borrowings under the Revolving Credit Facility may be based on either the Secured Overnight Financing Rate or a base rate plus an applicable margin, as defined therein. The Revolving Credit Facility contains financial covenants that require us to maintain a minimum Tangible Net Worth and a maximum Debt-to-Capitalization Ratio (as each term is defined in the Revolving Credit Facility). As of December 31, 2022, we were in compliance with all covenants.

At December 31, 2022, we had no borrowings outstanding, \$303.4 million of letters of credit issued, and \$946.6 million of remaining capacity under the Revolving Credit Facility. At December 31, 2021, we had no borrowings outstanding, \$298.8 million of letters of credit issued, and \$701.2 million of remaining capacity under the Revolving Credit Facility.

Financial Services debt

Pulte Mortgage provides mortgage financing for the majority of our home closings by utilizing its own funds and funds made available pursuant to credit agreements with third parties. Pulte Mortgage uses these resources to finance its lending activities until the loans are sold in the secondary market, which generally occurs within 30 days.

Pulte Mortgage maintains the Repurchase Agreement, which matures on July 27, 2023. The maximum aggregate commitment was \$800.0 million during the seasonally high borrowing period from December 27, 2022 through January 12, 2023. At all other times, the maximum aggregate commitment ranges from \$360.0 million to \$500.0 million. The purpose of the changes in capacity during the term of the agreement is to lower associated fees during seasonally lower volume periods of mortgage origination activity. Borrowings under the Repurchase Agreement are secured by residential mortgage loans available-for-sale. The Repurchase Agreement contains various affirmative and negative covenants applicable to Pulte Mortgage, including quantitative thresholds related to net worth, net income, and liquidity. Pulte Mortgage had \$586.7 million and \$626.1 million

outstanding under the Repurchase Agreement at December 31, 2022 and 2021, respectively, and was in compliance with its covenants and requirements as of such dates.

Dividends and share repurchase program

We declared quarterly cash dividends totaling \$143.1 million and \$148.1 million in 2022 and 2021, respectively, and repurchased 24.2 million and 17.7 million shares in 2022 and 2021, respectively, for a total of \$1.1 billion and \$897.3 million in 2022 and 2021, respectively. On January 31, 2022, the Board of Directors increased our share repurchase authorization by \$1.0 billion. At December 31, 2022, we had remaining authorization to repurchase \$382.9 million of common shares.

Contractual Obligations

We are a party to many contractual obligations involving commitments to make payments to third parties. These obligations impact our short-term and long-term liquidity and capital resource needs. Certain contractual obligations are reflected on the Consolidated Balance Sheet as of December 31, 2022, while others are considered future commitments. Our contractual obligations primarily consist of long-term debt and related interest payments, purchase obligations related to expected acquisitions and development of land, operating leases, and obligations under our various compensation and benefit plans.

We use letters of credit and surety bonds to guarantee our performance under various contracts, principally in connection with the development of our homebuilding projects. The expiration dates of the letter of credit contracts coincide with the expected completion date of the related homebuilding projects. If the obligations related to a project are ongoing, annual extensions of the letters of credit are typically granted on a year-to-year basis. At December 31, 2022, we had outstanding letters of credit of \$303.4 million. Our surety bonds generally do not have stated expiration dates; rather, we are released from the bonds as the contractual performance is completed. These bonds, which approximated \$2.2 billion at December 31, 2022, are typically outstanding over a period of approximately three to five years. Because significant construction and development work has been performed related to the applicable projects but has not yet received final acceptance by the respective counterparties, the aggregate amount of surety bonds outstanding is in excess of the projected cost of the remaining work to be performed.

In the ordinary course of business, we enter into land option agreements in order to procure land for the construction of houses in the future. At December 31, 2022, these agreements had an aggregate remaining purchase price of \$5.4 billion. Pursuant to these land option agreements, we provide a deposit to the seller as consideration for the right to purchase land at different times in the future, usually at predetermined prices. At December 31, 2022, outstanding deposits totaled \$278.9 million, of which \$14.6 million is refundable.

For further information regarding our primary obligations, refer to [Note 5](#), "Debt" and [Note 11](#), "Commitments and Contingencies" to the Consolidated Financial Statements included elsewhere in this Annual Report on 10-K for amounts outstanding as of December 31, 2022, related to debt and commitments and contingencies, respectively.

Cash flows

Operating activities

Net cash provided by operating activities in 2022 was \$668.5 million, compared with net cash provided by operating activities of \$1.0 billion in 2021. Generally, the primary drivers of our cash flow from operations are profitability and changes in inventory levels and residential mortgage loans available-for-sale, each of which experiences seasonal fluctuations. Our positive cash flow from operations for 2022 was primarily due to our net income of \$2.6 billion, which was partially offset by a \$2.3 billion net increase in inventories primarily attributable to higher house inventory in production resulting from more unsold units and extended production cycle times combined with investment in land inventory. Cash flow from operations was also favorably impacted by a \$266.3 million decrease in residential mortgage loans available-for-sale.

Net cash provided by operating activities in 2021 was primarily due to our net income of \$1.9 billion, which was partially offset by a \$1.3 billion increase in inventories which was primarily attributable to higher house inventory in production, resulting from higher sales activity and extended production cycle times combined with higher investment in land inventory to support future growth. Cash flow from operations was also favorably impacted by an increase of \$395.3 million in customer deposits resulting from the higher order backlog but unfavorably impacted by an increase of \$382.8 million in residential mortgage loans available-for-sale, resulting from higher loan originations to support revenue growth.

Investing activities

Net cash used in investing activities totaled \$171.7 million in 2022, compared with \$124.1 million in 2021. The 2022 cash outflows primarily reflect \$64.7 million of investments in unconsolidated entities primarily in support of our land development activities and capital expenditures of \$112.7 million related to our ongoing investment in new communities, construction operations, and certain information technology applications.

Net cash used in investing activities in 2021 primarily reflected \$101.6 million of investments in unconsolidated entities primarily in support of our land development activities and capital expenditures of \$72.8 million related to our ongoing investment in new communities, construction operations, and certain information technology applications.

Financing activities

Net cash used in financing activities was \$1.2 billion in 2022 compared with \$1.7 billion during 2021. The net cash used in financing activities for 2022 resulted primarily from the repurchase of 24.2 million common shares for \$1.1 billion under our repurchase authorization and cash dividends of \$144.1 million.

Net cash used in financing activities for 2021 resulted primarily from the repurchase of 17.7 million common shares for \$897.3 million under our repurchase authorization, repayments of debt of \$836.9 million, and cash dividends of \$147.8 million, partially offset by net Financial Services borrowings of \$214.3 million.

Seasonality

Although significant changes in market conditions have impacted our seasonal patterns in the past and could do so again, we have historically experienced variability in our quarterly results from operations due to the seasonal nature of the homebuilding industry. We generally experience increases in revenues and cash flow from operations during the fourth quarter based on the timing of home closings. This seasonal activity increases our working capital requirements in our third and fourth quarters to support our home production and loan origination volumes. As a result of the seasonality of our operations, our quarterly results of operations are not necessarily indicative of the results that may be expected for the full year. Additionally, given the disruption in economic activity caused by the COVID-19 pandemic, supply chain challenges, increase in mortgage interest rates, and other macroeconomic factors, our quarterly results in 2022 and 2021 are not necessarily indicative of results that may be achieved in the future.

Supplemental Guarantor Financial Information

As of December 31, 2022 PulteGroup, Inc. had outstanding \$2.0 billion principal amount of unsecured senior notes due at dates from March 2026 through February 2035 and no amounts outstanding on its Revolving Credit Facility.

All of our unsecured senior notes and the Revolving Credit Facility are fully and unconditionally guaranteed, on a joint and several basis, by certain subsidiaries of PulteGroup, Inc. ("Guarantors" or "Guarantor Subsidiaries"). Each of the Guarantor Subsidiaries is 100% owned, directly or indirectly, by PulteGroup, Inc. Our subsidiaries associated with our financial services operations and certain other subsidiaries do not guarantee the unsecured senior notes or the Revolving Credit Facility (collectively, "Non-Guarantor Subsidiaries"). The guarantees are senior unsecured obligations of each Guarantor and rank equal with all existing and future senior debt of such Guarantor and senior to all subordinated debt of such Guarantor. The guarantees are effectively subordinated to any secured debt of such Guarantor to the extent of the value of the assets securing such debt.

A court could void or subordinate any Guarantor's guarantee under the fraudulent conveyance laws if existing or future creditors of any such Guarantor were successful in establishing that such Guarantor:

(a) incurred the guarantee with the intent of hindering, delaying or defrauding creditors; or

(b) received less than reasonably equivalent value or fair consideration in return for incurring the guarantee and, in the case of and any one of the following is also true at the time thereof:

- such Guarantor was insolvent or rendered insolvent by reason of the issuance of the incurrence of the guarantee;
- the incurrence of the guarantee left such Guarantor with an unreasonably small amount of capital or assets to carry on its business;
- such Guarantor intended to, or believed that it would, incur debts beyond its ability to pay as they mature;

- such Guarantor was a defendant in an action for money damages, or had a judgment for money damages docketed against it, if the judgment is unsatisfied after final judgment.

The measures of insolvency for purposes of determining whether a fraudulent conveyance occurred would vary depending upon the laws of the relevant jurisdiction and upon the valuation assumptions and methodology applied by the court. However, in general, a court would deem a company insolvent if:

- the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they became due.

The guarantees of the senior notes contain a provision to limit each Guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer. However, under recent case law, this provision may not be effective to protect such guarantee from being voided under fraudulent transfer law or otherwise determined to be unenforceable. If a court were to find that the incurrence of a guarantee was a fraudulent transfer or conveyance, the court could void the payment obligations under that guarantee, could subordinate that guarantee to presently existing and future indebtedness of the Guarantor or could require the holders of the senior notes to repay any amounts received with respect to that guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, holders may not receive any repayment on the senior notes.

Finally, as a court of equity, a bankruptcy court may subordinate the claims in respect of the guarantees to other claims against us under the principle of equitable subordination if the court determines that (1) the holder of senior notes engaged in some type of inequitable conduct, (2) the inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the holders of senior notes and (3) equitable subordination is not inconsistent with the provisions of the bankruptcy code.

On the basis of historical financial information, operating history and other factors, we believe that each of the Guarantors, after giving effect to the issuance of the guarantees when such guarantees were issued, was not insolvent, did not have unreasonably small capital for the business in which it engaged and did not and has not incurred debts beyond its ability to pay such debts as they mature. We cannot assure you, however, as to what standard a court would apply in making these determinations or that a court would agree with our conclusions in this regard.

The following tables present summarized financial information for PulteGroup, Inc. and the Guarantor Subsidiaries on a combined basis after intercompany transactions and balances have been eliminated among PulteGroup, Inc. and the Guarantor Subsidiaries, as well as their investment in and equity in earnings from the Non-Guarantor Subsidiaries (\$000's omitted):

PulteGroup, Inc. and Guarantor Subsidiaries			
Summarized Balance Sheet Data		December 31,	
ASSETS		2022	2021
Cash, cash equivalents, and restricted cash	\$	786,073	\$ 1,598,328
House and land inventory		10,925,830	8,859,163
Amount due from Non-Guarantor Subsidiaries		674,898	278,531
Total assets		13,074,398	11,658,352
LIABILITIES			
Accounts payable, customer deposits, accrued and other liabilities	\$	2,785,286	\$ 2,788,465
Notes payable		2,045,527	2,029,044
Total liabilities		5,049,079	4,986,491

Summarized Statement of Operations Data	Years Ended December 31,	
	2022	2021
Revenues	\$ 15,637,507	\$ 13,173,753
Cost of revenues	10,985,982	9,697,959
Selling, general, and administrative expenses	1,330,994	1,164,553
Income before income taxes	3,245,925	2,213,419

Critical Accounting Estimates

The preparation of the Company's financial statements in conformity with U.S. generally accepted accounting principles and the discussion and analysis of its financial condition and operating results requires management to make estimates and assumptions, including estimates about the future resolution of existing uncertainties that affect the amounts reported. As a result, actual results could differ from these estimates. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances. We believe the following critical accounting estimates reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements. For a discussion of all of our significant accounting policies, refer to [Note 1](#), "Summary of Significant Account Policies".

Inventory and cost of revenues

Cost of revenues includes the construction cost, average lot cost, estimated warranty costs, and closing costs applicable to the home. The construction cost of the home includes amounts paid through the closing date of the home, plus an accrual for costs incurred but not yet paid, based on an analysis of budgeted construction costs. This accrual is reviewed for accuracy based on actual payments made after closing compared with the amount accrued, and adjustments are made if needed. Land acquisition and development costs are allocated to individual lots using an average lot cost determined based on the total expected land acquisition and development costs and the total expected home closings for the community. Total community land acquisition and development costs are based on an analysis of budgeted costs compared with actual costs incurred to date and estimates to complete. The development cycles for our communities range from under one year to in excess of ten years for certain master planned communities. Adjustments to estimated total land acquisition and development costs for the community affect the amounts costed for the community's remaining lots.

We test inventory for impairment when events and circumstances indicate that the undiscounted cash flows estimated to be generated by the community may be less than its carrying amount. Such indicators include gross margins or sales paces significantly below expectations, construction costs or land development costs significantly in excess of budgeted amounts, significant delays or changes in the planned development for the community, and other known qualitative factors. Communities that demonstrate potential impairment indicators are tested for impairment by comparing the expected undiscounted cash flows for the community to its carrying value. For those communities whose carrying values exceed the expected undiscounted cash flows, we determine the fair value of the community and impairment charges are recorded if the fair value of the community's inventory is less than its carrying value.

We generally determine the fair value of each community using a combination of discounted cash flow models and market comparable transactions, where available. These estimated cash flows are significantly impacted by estimates related to expected average selling prices, expected sales paces, expected land development and construction timelines, and anticipated land development, construction, and overhead costs. The assumptions used in the discounted cash flow models are specific to each community. Due to uncertainties in the estimation process, the significant volatility in demand for new housing, the long life cycles of many communities, and potential changes in our strategy related to certain communities, actual results could differ significantly from such estimates.

Generally, a community must have projected gross margin percentages in the single digits or lower to potentially fail the undiscounted cash flow step and proceed to the fair value step. Our overall gross margin realized during 2022 and our average gross margin in backlog at December 31, 2022 both exceeded 25%, and we have only a small minority of communities with gross margins below 10%. However, in the event of an extended economic slowdown that leads to moderate or significant decreases in the price of new homes in certain geographic or buyer submarkets, we could have a larger number of communities that begin to approach these levels such that more detailed impairment analyses would be necessary, and the resulting impairments could be material. Additionally, we have \$478.8 million of deposits and pre-acquisition costs at December 31, 2022 related to option agreements to acquire additional land. In the event of an extended economic slowdown, we could elect to

cancel a large portion of such land option agreements, which would generally result in the write-off of the related deposits and pre-acquisition costs.

Self-insured risks

At any point in time, we are managing numerous individual claims related to general liability, property, errors and omission, workers compensation, and other business insurance coverage. We reserve for costs associated with such claims (including expected claims management expenses) on an undiscounted basis at the time product revenue is recognized for each home closing and periodically evaluate the recorded liabilities based on actuarial analyses of our historical claims. The actuarial analyses calculate estimates of the ultimate cost of all unpaid losses, including estimates for incurred but not reported losses ("IBNR"). IBNR represents losses related to claims incurred but not yet reported plus development on reported claims.

Our recorded reserves for all such claims totaled \$635.9 million and \$627.1 million at December 31, 2022 and 2021, respectively, the vast majority of which relate to general liability claims. The recorded reserves include loss estimates related to both (i) existing claims and related claim expenses and (ii) IBNR and related claim expenses. Liabilities related to IBNR and related claim expenses represented approximately 74% and 70% of the total general liability reserves at December 31, 2022 and 2021, respectively. The actuarial analyses that determine the IBNR portion of reserves consider a variety of factors, including the frequency and severity of losses, which are based on our historical claims experience supplemented by industry data. The actuarial analyses of the reserves also consider historical third party recovery rates and claims management expenses. Because of the inherent uncertainty in estimating future losses related to these claims, actual costs could differ significantly from estimated costs. Based on the actuarial analyses performed, we believe the range of reasonably possible losses related to these claims is \$525 million to \$725 million. While this range represents our best estimate of our ultimate liability related to these claims, due to a variety of factors, including those factors described above, there can be no assurance that the ultimate costs realized by us will fall within this range.

Volatility in both national and local housing market conditions can affect the frequency and cost of construction defect claims. Additionally, IBNR estimates comprise the majority of our liability and are subject to a high degree of uncertainty due to a variety of factors, including changes in claims reporting and resolution patterns, third party recoveries, insurance industry practices, the regulatory environment, and legal precedent. State regulations vary, but construction defect claims are reported and resolved over an extended period often exceeding ten years. Changes in the frequency and timing of reported claims and estimates of specific claim values can impact the underlying inputs and trends utilized in the actuarial analyses, which could have a material impact on the recorded reserves. Additionally, the amount of insurance coverage available for each policy period also impacts our recorded reserves. Because of the inherent uncertainty in estimating future losses and the timing of such losses related to these claims, actual costs could differ significantly from estimated costs.

Adjustments to reserves are recorded in the period in which the change in estimate occurs. During 2022 and 2021, we reduced general liability reserves by \$65.0 million and \$81.1 million, respectively, as a result of changes in estimates resulting from actual claim experience observed being less than anticipated in previous actuarial projections. The changes in actuarial estimates were driven by changes in actual claims experience that, in turn, impacted actuarial estimates for potential future claims. These changes in actuarial estimates did not involve any changes in actuarial methodology but did impact the development of estimates for future periods, which resulted in adjustments to the IBNR portion of our recorded liabilities. There were no material adjustments to individual claims. Rather, the adjustments reflect an overall lower level of losses related to construction defect claims in recent years as compared with our previous experience. We attribute this favorable experience to a variety of factors, including improved construction techniques, rising home values, and increased participation from our subcontractors in resolving claims.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risk on our debt instruments primarily due to fluctuations in interest rates. We utilize both fixed-rate and variable-rate debt. For fixed-rate debt, changes in interest rates generally affect the fair value of the debt instrument but not our earnings or cash flows. Conversely, for variable-rate debt, changes in interest rates generally do not affect the fair value of the debt instrument but could affect our earnings and cash flows. Except in very limited circumstances, we do not have an obligation to prepay our debt prior to maturity. As a result, interest rate risk and changes in fair value should not have a significant impact on our fixed-rate debt until we are required or elect to refinance or repurchase such debt.

The following table sets forth the principal cash flows by scheduled maturity, weighted-average interest rates, and estimated fair value of our debt obligations as of December 31, 2022 and 2021 (\$000's omitted).

As of December 31, 2022 for the Years ended December 31,								
	2023	2024	2025	2026	2027	Thereafter	Total	Fair Value
Rate-sensitive liabilities:								
Fixed rate debt	\$ 20,841	\$ 30,792	\$ —	\$ 503,595	\$ 500,000	\$ 1,000,000	\$ 2,055,228	\$ 2,079,218
Average interest rate	2.45 %	4.72 %	— %	5.49 %	5.00 %	6.71 %	5.92 %	
Variable rate debt (a)	\$ 586,711	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 586,711	\$ 586,711
Average interest rate	5.39 %	— %	— %	— %	— %	— %	5.39 %	
As of December 31, 2021 for the Years ended December 31,								
	2022	2023	2024	2025	2026	Thereafter	Total	Fair Value
Rate-sensitive liabilities:								
Fixed rate debt	\$ 8,652	\$ 12,555	\$ 18,978	\$ —	\$ 500,000	\$ 1,500,000	\$ 2,040,185	\$ 2,496,875
Average interest rate	1.16 %	3.55 %	5.28 %	— %	5.50 %	6.14 %	5.94 %	
Variable rate debt (a)	\$ 626,123	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 626,123	\$ 626,123
Average interest rate	2.20 %	— %	— %	— %	— %	— %	2.20 %	

(a) Includes the Pulte Mortgage Repurchase Agreement. There were no borrowings outstanding under our Revolving Credit Facility at either December 31, 2022 or 2021.

Derivative instruments and hedging activities

Pulte Mortgage is exposed to market risks from commitments to lend, movements in interest rates, and canceled or modified commitments to lend. A commitment to lend at a specific interest rate (an interest rate lock commitment) is a derivative financial instrument (interest rate is locked to the borrower). The interest rate risk continues through the loan closing and until the loan is sold to an investor. We are generally not exposed to variability in cash flows of derivative instruments for more than approximately 60 days. In periods of rising interest rates, the length of exposure will generally increase due to customers locking in an interest rate sooner as opposed to letting the interest rate float. In periods of low or decreasing interest rates, the length of exposure will also generally increase as customers desire to lock before the possibility of rising rates.

In order to reduce these risks, we use derivative financial instruments, principally cash forward placement contracts on mortgage-backed securities and whole loan investor commitments, to economically hedge the interest rate lock commitment. We generally enter into one of the aforementioned derivative financial instruments upon accepting interest rate lock commitments. Changes in the fair value of interest rate lock commitments and the other derivative financial instruments are recognized in Financial Services revenues. We do not use any derivative financial instruments for trading purposes.

At December 31, 2022 and 2021, residential mortgage loans available-for-sale had an aggregate fair value of \$677.2 million and \$947.1 million, respectively. At December 31, 2022 and 2021, we had aggregate interest rate lock commitments of \$653.2 million and \$337.9 million, respectively, which were originated at interest rates prevailing at the date of commitment. Unexpired forward contracts totaled \$1.0 billion and \$903.0 million at December 31, 2022 and 2021, respectively, and whole loan investor commitments totaled \$285.9 million and \$310.0 million, respectively, at such dates. Hypothetical changes in the fair values of our financial instruments arising from immediate parallel shifts in long-term mortgage rates would not be material to our financial results due to the offsetting nature in the movements in fair value of our financial instruments.

SPECIAL NOTES CONCERNING FORWARD-LOOKING STATEMENTS

As a cautionary note, except for the historical information contained herein, certain matters discussed in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and Item 7A, *Quantitative and Qualitative Disclosures About Market Risk*, are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking 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 potential impairment charges 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 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; the negative impact of the COVID-19 pandemic on our financial position and ability to continue our Homebuilding or Financial Services activities at normal levels or at all in impacted areas; the duration, effect and severity of the COVID-19 pandemic; the measures that governmental authorities take to address the COVID-19 pandemic which may precipitate or exacerbate one or more of the above-mentioned and/or other risks and significantly disrupt or prevent us from operating our business in the ordinary course for an extended period of time; and other factors of national, regional and global scale, including those of a political, economic, business and competitive nature. See [Item 1A – Risk Factors](#) for a further discussion of these and other risks and uncertainties applicable to our businesses. We undertake no duty to update any forward-looking statement, whether as a result of new information, future events or changes in our expectations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PULTEGROUP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021
(\$000's omitted, except per share data)

	2022	2021
ASSETS		
Cash and equivalents	\$ 1,053,104	\$ 1,779,088
Restricted cash	41,449	54,477
Total cash, cash equivalents, and restricted cash	1,094,553	1,833,565
House and land inventory	11,326,017	9,047,569
Land held for sale	42,254	29,276
Residential mortgage loans available-for-sale	677,207	947,139
Investments in unconsolidated entities	146,759	98,155
Other assets	1,291,572	1,110,966
Intangible assets	135,805	146,923
Deferred tax assets	82,348	139,038
	<u>\$ 14,796,515</u>	<u>\$ 13,352,631</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable, including book overdrafts of \$87,578 and \$87,462 at December 31, 2022 and 2021, respectively	\$ 565,975	\$ 621,168
Customer deposits	783,556	844,785
Deferred tax liabilities	215,446	165,519
Accrued and other liabilities	1,685,202	1,576,478
Financial Services debt	586,711	626,123
Notes payable	2,045,527	2,029,043
Total liabilities	<u>5,882,417</u>	<u>5,863,116</u>
Shareholders' equity:		
Preferred shares, \$0.01 par value; 25,000,000 shares authorized, none issued	\$ —	\$ —
Common shares, \$0.01 par value; 500,000,000 shares authorized, 225,840,443 and 249,325,873 shares issued and outstanding at December 31, 2022 and 2021, respectively	2,258	2,493
Additional paid-in capital	3,330,138	3,290,791
Accumulated other comprehensive loss	—	(45)
Retained earnings	5,581,702	4,196,276
Total shareholders' equity	<u>8,914,098</u>	<u>7,489,515</u>
	<u>\$ 14,796,515</u>	<u>\$ 13,352,631</u>

See Notes to Consolidated Financial Statements.

PULTEGROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2022, 2021, and 2020
(000's omitted, except per share data)

	2022	2021	2020
Revenues:			
Homebuilding			
Home sale revenues	\$ 15,774,135	\$ 13,376,812	\$ 10,579,896
Land sale and other revenues	143,144	160,538	94,017
	15,917,279	13,537,350	10,673,913
Financial Services	311,716	389,532	362,169
Total revenues	16,228,995	13,926,882	11,036,082
Homebuilding Cost of Revenues:			
Home sale cost of revenues	(11,093,895)	(9,841,961)	(8,004,823)
Land sale and other cost of revenues	(119,906)	(134,013)	(77,626)
	(11,213,801)	(9,975,974)	(8,082,449)
Financial Services expenses	(180,696)	(168,486)	(175,481)
Selling, general, and administrative expenses	(1,381,222)	(1,208,698)	(1,011,442)
Loss on debt retirement	—	(61,469)	—
Goodwill impairment	—	—	(20,190)
Other expense, net	(13,718)	(2,410)	(17,826)
Income before income taxes	3,439,558	2,509,845	1,728,694
Income tax expense	(822,241)	(563,525)	(321,855)
Net income	\$ 2,617,317	\$ 1,946,320	\$ 1,406,839
Net income per share:			
Basic	\$ 11.07	\$ 7.44	\$ 5.19
Diluted	\$ 11.01	\$ 7.43	\$ 5.18
Cash dividends declared	\$ 0.61	\$ 0.57	\$ 0.50
Number of shares used in calculation:			
Basic	235,010	259,285	268,553
Effect of dilutive securities	1,156	643	861
Diluted	236,166	259,928	269,414

See Notes to Consolidated Financial Statements.

PULTEGROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2022, 2021, and 2020
(\$000's omitted)

	2022	2021	2020
Net income	\$ 2,617,317	\$ 1,946,320	\$ 1,406,839
Other comprehensive income, net of tax:			
Change in value of derivatives	45	100	100
Other comprehensive income	45	100	100
Comprehensive income	<u>\$ 2,617,362</u>	<u>\$ 1,946,420</u>	<u>\$ 1,406,939</u>

See Notes to Consolidated Financial Statements.

PULTEGROUP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended December 31, 2022, 2021, and 2020
(000's omitted)

	<u>Common Shares</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>\$</u>				
Shareholders' equity, December 31, 2019	270,235	\$ 2,702	\$ 3,235,149	\$ (245)	\$ 2,220,574	\$ 5,458,180
Cumulative effect of accounting change (see Note 1)	—	—	—	—	(735)	(735)
Stock option exercises	15	1	110	—	—	111
Share issuances	756	8	4,088	—	—	4,096
Dividends declared	—	—	—	—	(135,138)	(135,138)
Share repurchases	(4,542)	(46)	—	—	(170,630)	(170,676)
Cash paid for shares withheld for taxes	—	—	—	—	(14,853)	(14,853)
Share-based compensation	—	—	22,065	—	—	22,065
Net income	—	—	—	—	1,406,839	1,406,839
Other comprehensive income	—	—	—	100	—	100
Shareholders' equity, December 31, 2020	266,464	\$ 2,665	\$ 3,261,412	\$ (145)	\$ 3,306,057	\$ 6,569,989
Stock option exercises	1	—	11	—	—	11
Share issuances	525	5	4,176	—	—	4,181
Dividends declared	—	—	—	—	(148,133)	(148,133)
Share repurchases	(17,664)	(177)	—	—	(897,126)	(897,303)
Cash paid for shares withheld for taxes	—	—	—	—	(10,842)	(10,842)
Share-based compensation	—	—	25,192	—	—	25,192
Net income	—	—	—	—	1,946,320	1,946,320
Other comprehensive income	—	—	—	100	—	100
Shareholders' equity, December 31, 2021	249,326	\$ 2,493	\$ 3,290,791	\$ (45)	\$ 4,196,276	\$ 7,489,515
Share issuances	676	7	6,024	—	—	6,031
Dividends declared	—	—	—	—	(143,134)	(143,134)
Share repurchases	(24,162)	(242)	—	—	(1,074,431)	(1,074,673)
Cash paid for shares withheld for taxes	—	—	—	—	(14,326)	(14,326)
Share-based compensation	—	—	33,323	—	—	33,323
Net income	—	—	—	—	2,617,317	2,617,317
Other comprehensive income	—	—	—	45	—	45
Shareholders' equity, December 31, 2022	225,840	\$ 2,258	\$ 3,330,138	\$ —	\$ 5,581,702	\$ 8,914,098

See Notes to Consolidated Financial Statements.

PULTEGROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022, 2021, and 2020
(\$000's omitted)

	2022	2021	2020
Cash flows from operating activities:			
Net income	\$ 2,617,317	\$ 1,946,320	\$ 1,406,839
Adjustments to reconcile net income to net cash from operating activities:			
Deferred income tax expense	106,584	59,168	137,598
Land-related charges	66,656	12,302	20,305
Loss on debt retirement	—	61,469	—
Goodwill impairment	—	—	20,190
Depreciation and amortization	70,918	69,953	66,081
Share-based compensation expense	42,989	36,745	32,843
Equity income from unconsolidated entities	(50,680)	(17,200)	(1,880)
Distributions of earnings from unconsolidated entities	49,151	2,110	505
Other, net	1,431	1,586	263
Increase (decrease) in cash due to:			
Inventories	(2,256,690)	(1,266,398)	2,988
Residential mortgage loans available-for-sale	266,310	(382,813)	(56,732)
Other assets	(140,761)	(159,906)	(46,307)
Accounts payable, accrued and other liabilities	(104,759)	640,685	201,649
Net cash provided by operating activities	<u>668,466</u>	<u>1,004,021</u>	<u>1,784,342</u>
Cash flows from investing activities:			
Capital expenditures	(112,661)	(72,781)	(58,354)
Investments in unconsolidated entities	(64,701)	(101,591)	(753)
Distributions of capital from unconsolidated entities	21,704	53,927	27,939
Business acquisition	(10,400)	(10,400)	(83,251)
Other investing activities, net	(5,685)	6,713	6,472
Net cash used in investing activities	<u>(171,743)</u>	<u>(124,132)</u>	<u>(107,947)</u>
Cash flows from financing activities:			
Repayments of notes payable	(4,856)	(836,893)	(65,267)
Borrowings under revolving credit facility	2,869,000	—	700,000
Repayments under revolving credit facility	(2,869,000)	—	(700,000)
Financial Services borrowings (repayments), net	(39,412)	214,302	85,248
Debt issuance costs	(11,167)	—	—
Proceeds from liabilities related to consolidated inventory not owned	58,729	—	—
Payments related to consolidated inventory not owned	(5,915)	—	—
Stock option exercises	—	11	111
Share repurchases	(1,074,673)	(897,303)	(170,676)
Cash paid for shares withheld for taxes	(14,326)	(10,842)	(14,853)
Dividends paid	(144,115)	(147,834)	(130,179)
Net cash used in financing activities	<u>(1,235,735)</u>	<u>(1,678,559)</u>	<u>(295,616)</u>
Net increase (decrease)	<u>(739,012)</u>	<u>(798,670)</u>	<u>1,380,779</u>
Cash, cash equivalents, and restricted cash at beginning of period	1,833,565	2,632,235	1,251,456
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 1,094,553</u>	<u>\$ 1,833,565</u>	<u>\$ 2,632,235</u>
Supplemental Cash Flow Information:			
Interest paid (capitalized), net	\$ 1,797	\$ 10,856	\$ 3,057
Income taxes paid, net	<u>\$ 641,948</u>	<u>\$ 457,406</u>	<u>\$ 264,248</u>

See Notes to Consolidated Financial Statements.

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Basis of presentation

PulteGroup, Inc. is one of the largest homebuilders in the U.S., and our common shares trade on the New York Stock Exchange under the ticker symbol "PHM". Unless the context otherwise requires, the terms "PulteGroup", the "Company", "we", "us", and "our" used herein refer to PulteGroup, Inc. and its subsidiaries. While our subsidiaries engage primarily in the homebuilding business, we also have mortgage banking operations, conducted principally through Pulte Mortgage LLC ("Pulte Mortgage"), and title and insurance brokerage operations.

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of PulteGroup, Inc. and all of its direct and indirect subsidiaries and variable interest entities in which PulteGroup, Inc. is deemed to be the primary beneficiary. All significant intercompany accounts, transactions, and balances have been eliminated in consolidation.

Business acquisitions

On January 24, 2020, we acquired the operations of Innovative Construction Group ("ICG"), an offsite construction framing company located in Jacksonville, Florida, for \$104 million, of which \$83.3 million was paid in January 2020 with additional payments of \$10.4 million in each of 2021 and 2022. The acquired net assets were recorded at their estimated fair values, including intangible assets of \$27.8 million associated with customer relationships and \$1.8 million associated with the ICG tradename, which are being amortized over seven- and five-year useful lives, respectively. The acquisition also resulted in \$48.7 million of tax deductible goodwill. The acquisition of these assets was not material to our results of operations or financial condition.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent events

We evaluated subsequent events up until the time the financial statements were filed with the Securities and Exchange Commission ("SEC").

Cash and equivalents

Cash and equivalents include institutional money market investments and time deposits with a maturity of three months or less when acquired. Cash and equivalents at December 31, 2022 and 2021 also included \$42.9 million and \$38.4 million, respectively, of cash from home closings held in escrow for our benefit, typically for less than five days, which are considered deposits in-transit.

Restricted cash

We maintain certain cash balances that are restricted as to their use, including customer deposits on home sales that are temporarily restricted by regulatory requirements in certain states until title transfers to the homebuyer.

Investments in unconsolidated entities

We have investments in a number of unconsolidated entities, including joint ventures, with independent third parties. The equity method of accounting is used for unconsolidated entities over which we have significant influence; generally this represents ownership interests of at least 20% and not more than 50%. Under the equity method of accounting, we recognize

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

our proportionate share of the earnings and losses of these entities. Certain of these entities sell land to us. We defer the recognition of profits from such activities until the time we ultimately sell the related land.

We evaluate our investments in unconsolidated entities for recoverability in accordance with ASC 323, "Investments – Equity Method and Joint Ventures". If we determine that a loss in the value of the investment is other than temporary, we write down the investment to its estimated fair value. Any such losses are recorded to equity in (earnings) loss of unconsolidated entities, which is reflected in other expense, net. Due to uncertainties in the estimation process and the significant volatility in demand for new housing, actual results could differ significantly from such estimates. See [Note 4](#).

Intangible assets

Goodwill, which represents the cost of acquired businesses in excess of the fair value of the net assets of such businesses at the acquisition date, totaled \$68.9 million at both December 31, 2022 and 2021. We assess goodwill for impairment annually in the fourth quarter and if events or changes in circumstances indicate the carrying amount may not be recoverable.

In accordance with ASC 350, "Intangibles", management evaluates the recoverability of goodwill by comparing the carrying value of the Company's reporting units to their fair value. Fair value is determined using accepted valuation methods, including the use of discounted cash flows supplemented by market-based assessments of fair value. As a result of the significant decline in equity market valuations that occurred during the period between our acquisition of ICG in January 2020 and March 31, 2020, we determined that an event-driven goodwill impairment test was appropriate for the ICG goodwill, which resulted in an impairment totaling \$20.2 million in the first quarter of 2020. This impairment was not the result of any unique factors specific to ICG's operations but, rather, reflected the broad-based declines in the market capitalizations of publicly-traded construction companies in the short period of time between the acquisition and the March 31, 2020 valuation date.

Intangible assets also include tradenames and customer relationships acquired in connection with acquisitions and totaled \$66.9 million, net of accumulated amortization of \$87.7 million, at December 31, 2022, and \$78.0 million, net of accumulated amortization of \$76.6 million, at December 31, 2021. Such tradenames are generally being amortized over 20-year lives. Our customer relationships intangible asset resulted from the ICG acquisition and is being amortized over seven years. Amortization expense totaled \$11.1 million, \$16.5 million, and \$19.7 million in 2022, 2021 and 2020, respectively, and is expected to be \$10.5 million in 2023, \$10.0 million in 2024, \$9.3 million in 2025, \$8.9 million in 2026, and \$6.5 million in 2027. The ultimate realization of these assets is dependent upon the future cash flows and benefits that we expect to generate from their use. We assess intangibles for impairment if events or changes in circumstances indicate the carrying amount may not be recoverable.

Property and equipment

Property and equipment are recorded at cost. Maintenance and repair costs are expensed as incurred. Depreciation is computed by the straight-line method based upon estimated useful lives as follows: office furniture and equipment - 3 to 10 years; leasehold improvements - life of the lease; software and hardware - 3 to 5 years; model park improvements and furnishings - 1 to 5 years. Property and equipment are included in other assets and totaled \$200.3 million net of accumulated depreciation of \$242.3 million at December 31, 2022 and \$149.2 million net of accumulated depreciation of \$228.5 million at December 31, 2021. Depreciation expense totaled \$59.8 million, \$53.5 million, and \$46.4 million in 2022, 2021, and 2020, respectively.

Advertising costs

Advertising costs are expensed to selling, general, and administrative expense as incurred and totaled \$61.6 million, \$47.2 million, and \$40.3 million, in 2022, 2021, and 2020, respectively.

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Employee benefits

We maintain a defined contribution retirement plan that covers substantially all of our employees. Company contributions to the plan totaled \$27.6 million, \$23.4 million, and \$20.4 million in 2022, 2021, and 2020, respectively.

Other expense, net

Other expense, net consists of the following (\$000's omitted):

	2022	2021	2020
Write-offs of deposits and pre-acquisition costs (Note 2)	\$ (63,559)	\$ (12,283)	\$ (12,390)
Amortization of intangible assets (Note 1)	(11,118)	(16,502)	(19,685)
Interest income	1,971	1,953	6,837
Interest expense	(284)	(502)	(4,248)
Equity in earnings of unconsolidated entities (Note 4)	50,680	17,200	1,880
Miscellaneous, net	8,592	7,724	9,780
Total other expense, net	<u>\$ (13,718)</u>	<u>\$ (2,410)</u>	<u>\$ (17,826)</u>

Earnings per share

Basic earnings per share is computed by dividing income available to common shareholders (the "Numerator") by the weighted-average number of common shares, adjusted for unvested shares, (the "Denominator"), for the period. Computing diluted earnings per share is similar to computing basic earnings per share, except that the Denominator is increased to include the dilutive effects of unvested restricted share units and other potentially dilutive instruments. Anti-dilutive shares were immaterial in 2022, 2021, and 2020.

In accordance with ASC 260 "Earnings Per Share", the two-class method determines earnings per share for each class of common share and participating securities according to an earnings allocation formula that adjusts the Numerator for dividends or dividend equivalents and participation rights in undistributed earnings. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents are participating securities and, therefore, are included in computing earnings per share pursuant to the two-class method. Our outstanding restricted share units and deferred shares are considered participating securities. The following table presents a reconciliation of the Numerator used in our earnings per common share calculation (\$000's omitted):

	December 31, 2022	December 31, 2021	December 31, 2020
Numerator:			
Net income	\$ 2,617,317	\$ 1,946,320	\$ 1,406,839
Less: earnings distributed to participating securities	(846)	(1,218)	(1,106)
Less: undistributed earnings allocated to participating securities	(15,330)	(15,117)	(11,348)
Numerator for basic earnings per share	<u>\$ 2,601,141</u>	<u>\$ 1,929,985</u>	<u>\$ 1,394,385</u>
Add: undistributed earnings allocated to participating securities	15,330	15,117	11,348
Less: undistributed earnings reallocated to participating securities	(15,229)	(15,080)	(11,312)
Numerator for diluted earnings per share	<u>\$ 2,601,242</u>	<u>\$ 1,930,022</u>	<u>\$ 1,394,421</u>

Share-based compensation

We measure compensation cost for share-based compensation on the grant date. Fair value for restricted share units is determined based on the quoted price of our common shares on the grant date. We recognize compensation expense for restricted share units, the majority of which cliff vest at the end of three years, ratably over the vesting period. For share-based awards containing performance conditions, we recognize compensation expense ratably over the vesting period when it is probable that the stated performance targets will be achieved and record cumulative adjustments in the period in which

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

estimates change. Compensation expense related to our share-based awards is included in selling, general, and administrative expense, except for a small portion recognized in Financial Services expenses. Forfeitures of share-based awards are recognized as a reduction of expense as incurred. See [Note 7](#).

Income taxes

The provision for income taxes is calculated using the asset and liability method, under which deferred tax assets and liabilities are recognized by identifying the temporary differences arising from the different treatment of items for tax and accounting purposes. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is primarily dependent upon the generation of future taxable income. In determining the future tax consequences of events that have been recognized in the financial statements or tax returns, judgment is required. Differences between estimated and actual results could result in changes in the valuation of our deferred tax assets that could have a material impact on our consolidated results of operations or financial position. Changes in existing tax laws could also affect actual tax results including the valuation and realization of deferred tax assets and liabilities over time.

Unrecognized tax benefits represent the difference between tax positions taken or expected to be taken in a tax return and the benefits recognized for financial statement purposes. We follow the provisions of ASC 740, "Income Taxes", which prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Significant judgment is required to evaluate uncertain tax positions. Our evaluations of tax positions consider a variety of factors, including relevant facts and circumstances, applicable tax law, correspondence with taxing authorities, and effective settlements of audit issues. Changes in the recognition or measurement of uncertain tax positions could result in material increases or decreases in income tax expense (benefit) in the period in which the change is made. Interest and penalties related to income taxes and unrecognized tax benefits are recognized as a component of income tax expense (benefit). See [Note 8](#).

Revenue recognition

Home sale revenues - Home sale revenues and related profit are generally recognized when title to and possession of the home are transferred to the buyer at the home closing date. Our performance obligation to deliver the agreed-upon home is generally satisfied at the home closing date. Home sale contract assets consist of cash from home closings held in escrow for our benefit, typically for less than five days, which are considered deposits in-transit and classified as cash. Contract liabilities include customer deposit liabilities related to sold but undelivered homes, which totaled \$783.6 million and \$844.8 million at December 31, 2022 and 2021, respectively. Substantially all of our home sales are scheduled to close and be recorded to revenue within one year from the date of receiving a customer deposit. See [Note 11](#) for information on warranties and related obligations.

Land sale and other revenues - We periodically elect to sell parcels of land to third parties in the event such assets no longer fit into our strategic operating plans or are zoned for commercial or other development. Land sales are generally outright sales of specified land parcels with cash consideration due on the closing date, which is generally when performance obligations are satisfied. Other revenues related to our construction services operations are generally recognized as materials are delivered and installation services are provided.

Financial services revenues - Expected gains and losses from the sale of residential mortgage loans and their related servicing rights are included in the measurement of written loan commitments that are accounted for at fair value through Financial Services revenues at the time of commitment. Subsequent changes in the fair value of these loans are reflected in Financial Services revenues as they occur. Interest income is accrued from the date a mortgage loan is originated until the loan is sold. Mortgage servicing fees represent fees earned for servicing loans for various investors. Servicing fees are based on a contractual percentage of the outstanding principal balance and are credited to income when related mortgage payments are received or the sub-servicing fees are earned.

Revenues associated with our title operations are recognized as closing services are rendered and title insurance policies are issued, both of which generally occur as each home is closed. Insurance brokerage commissions relate to commissions on home and other insurance policies placed with third party carriers through various agency channels. Our performance obligations for policy renewal commissions are considered satisfied upon issuance of the initial policy, and related contract assets for estimated future renewal commissions are included in other assets and totaled \$57.3 million and \$44.3 million at December 31, 2022 and 2021, respectively.

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Sales incentives

When sales incentives involve a discount on the selling price of the home, we record the discount as a reduction of revenue at the time of house closing. If the sales incentive requires us to provide a free product or service to the customer, the cost of the free product or service is recorded as cost of revenues at the time of house closing.

Inventory and cost of revenues

Inventory is stated at cost unless the carrying value is determined to not be recoverable, in which case the affected inventory is written down to fair value. Cost includes land acquisition, land development, and home construction costs, including interest, real estate taxes, and certain direct and indirect overhead costs related to development and construction. For those communities for which construction and development activities have been idled, applicable interest and real estate taxes are expensed as incurred. Land acquisition and development costs are allocated to individual lots using an average lot cost determined based on the total expected land acquisition and development costs and the total expected home closings for the community. The specific identification method is used to accumulate home construction costs.

We capitalize interest cost into homebuilding inventories. Each layer of capitalized interest is amortized over a period that approximates the average life of communities under development. Interest expense is allocated over the period based on the timing of home closings.

Cost of revenues includes the construction cost, average lot cost, estimated warranty costs, and closing costs applicable to the home. Sales commissions are classified within selling, general, and administrative expenses. The construction cost of the home includes amounts paid through the closing date of the home, plus an accrual for costs incurred but not yet paid. Total community land acquisition and development costs are based on an analysis of budgeted costs compared with actual costs incurred to date and estimates to complete. The development cycles for our communities range from under one year to in excess of ten years for certain master planned communities. Adjustments to estimated total land acquisition and development costs for the community affect the amounts costed for the community's remaining lots.

We test inventory for impairment when events and circumstances indicate that the undiscounted cash flows estimated to be generated by the community may be less than its carrying amount. Such indicators include gross margins or sales paces significantly below expectations, construction costs or land development costs significantly in excess of budgeted amounts, significant delays or changes in the planned development or strategy for the community, and other known qualitative factors. Communities that demonstrate potential impairment indicators are tested for impairment by comparing the expected undiscounted cash flows for the community to its carrying value. For those communities whose carrying values exceed the expected undiscounted cash flows, we estimate the fair value of the community, and impairment charges are recorded if the fair value of the community's inventory is less than its carrying value. See [Note 2](#).

Land held for sale

We periodically elect to sell parcels of land to third parties in the event such assets no longer fit into our strategic operating plans or are zoned for commercial or other development. Land held for sale is recorded at the lower of cost or fair value less costs to sell. In determining the fair value of land held for sale, we consider recent offers received, prices for land in recent comparable sales transactions, and other factors. We record net realizable value adjustments for land held for sale within Homebuilding land sale cost of revenues. See [Note 2](#).

Land option agreements

We enter into land option agreements in order to procure land for the construction of homes in the future. Pursuant to these land option agreements, we generally provide a deposit to the seller as consideration for the right to purchase land at different times in the future, usually at predetermined prices. Such contracts enable us to defer acquiring portions of properties owned by third parties or unconsolidated entities until we have determined whether and when to exercise our option, which may serve to reduce our financial risks associated with long-term land holdings. Option deposits and pre-acquisition costs (such as environmental testing, surveys, engineering, and entitlement costs) are capitalized if the costs are directly identifiable with the land under option, the costs would be capitalized if we owned the land, and acquisition of the property is probable. Such costs are reflected in other assets and are reclassified to inventory upon taking title to the land. We write off deposits and pre-acquisition costs when it becomes probable that we will not go forward with the project or recover the capitalized costs. Such decisions take into consideration changes in local market conditions, the timing of required land purchases, the availability and best use of

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

necessary incremental capital, and other factors. We record any such write-offs of deposits and pre-acquisition costs within other expense, net. See [Note 2](#).

If an entity holding the land under option is a variable interest entity (“VIE”), our deposit represents a variable interest in that entity. No VIEs required consolidation at either December 31, 2022 or 2021 because we determined that we were not the primary beneficiary. Our maximum exposure to loss related to these VIEs is generally limited to our deposits and pre-acquisition costs under the applicable land option agreements. The following provides a summary of our interests in land option agreements (\$000’s omitted):

	December 31, 2022		December 31, 2021	
	Deposits and Pre-acquisition Costs	Remaining Purchase Price	Deposits and Pre-acquisition Costs	Remaining Purchase Price
Land options with VIEs	\$ 213,895	\$ 2,130,398	\$ 179,604	\$ 2,329,187
Other land options	264,860	3,269,843	225,318	3,128,691
	<u>\$ 478,755</u>	<u>\$ 5,400,241</u>	<u>\$ 404,922</u>	<u>\$ 5,457,878</u>

Warranty liabilities

Home buyers are provided with a limited warranty against certain building defects, including a one-year comprehensive limited warranty and coverage for certain other aspects of the home’s construction and operating systems for periods of up to (and in limited instances exceeding) 10 years. We estimate the costs to be incurred under these warranties and record a liability in the amount of such costs at the time revenue is recognized (see [Note 11](#)).

Self-insured risks

We maintain, and require the majority of our subcontractors to maintain, general liability insurance coverage, including coverage for certain construction defects. We also maintain builders’ risk, property, errors and omissions, workers compensation, and other business insurance coverage. These insurance policies protect us against a portion of the risk of loss from claims, subject to certain self-insured per occurrence and aggregate retentions, deductibles, and available policy limits. However, we retain a significant portion of the overall risk for such claims. We reserve for these costs on an undiscounted basis at the time revenue is recognized for each home closing and evaluate the recorded liabilities based on actuarial analyses of our historical claims, which include estimates of claims incurred but not yet reported. Adjustments to estimated reserves are recorded in the period in which the change in estimate occurs. In certain instances, we have the ability to recover a portion of our costs under various insurance policies or from our subcontractors or other third parties. Estimates of such amounts are recorded when recovery is considered probable. See [Note 11](#).

Residential mortgage loans available-for-sale

Substantially all of the loans originated by us and their related servicing rights are sold in the secondary mortgage market within a short period of time after origination, generally within 30 days. In accordance with ASC 825, “Financial Instruments”, we use the fair value option to record residential mortgage loans available-for-sale. Election of the fair value option for these loans allows a better offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them without having to apply complex hedge accounting provisions. We do not designate any derivative instruments as hedges or apply the hedge accounting provisions of ASC 815, “Derivatives and Hedging”. See [Note 11](#) for discussion of the risks retained related to mortgage loan originations.

Expected gains and losses from the sale of residential mortgage loans and their related servicing rights are included in the measurement of written loan commitments that are accounted for at fair value through Financial Services revenues at the time of commitment. Subsequent changes in the fair value of these loans are reflected in Financial Services revenues as they occur. At December 31, 2022 and 2021, residential mortgage loans available-for-sale had an aggregate fair value of \$677.2 million and \$947.1 million, respectively, and an aggregate outstanding principal balance of \$680.5 million and \$924.5 million, respectively. These changes in fair value were substantially offset by changes in fair value of the corresponding derivative instruments. Net gains from the sale of mortgages during 2022, 2021, and 2020 were \$157.3 million, \$251.3 million, and \$247.3 million, respectively, and have been included in Financial Services revenues.

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Mortgage servicing rights

We sell the servicing rights for the loans we originate through fixed price servicing sales contracts to reduce the risks and costs inherent in servicing loans. This strategy results in owning the servicing rights for only a short period of time. The servicing sales contracts provide for the reimbursement of payments made by the purchaser if loans prepay within specified periods of time, generally within 90 to 120 days after sale. We establish reserves for this exposure at the time the sale is recorded. Such reserves were immaterial at December 31, 2022 and 2021.

Interest income on mortgage loans

Interest income on mortgage loans is recorded in Financial Services revenues, accrued from the date a mortgage loan is originated until the loan is sold, and totaled \$14.2 million, \$10.0 million, and \$9.2 million in 2022, 2021, and 2020, respectively. Loans are placed on non-accrual status once they become greater than 90 days past due their contractual terms. Subsequent payments received are applied according to the contractual terms of the loan. Mortgage discounts are not amortized as interest income due to the short period the loans are held until sale to third party investors.

Derivative instruments and hedging activities

We are party to interest rate lock commitments ("IRLCs") with customers resulting from our mortgage origination operations. At December 31, 2022 and 2021, we had aggregate IRLCs of \$653.2 million and \$337.9 million, respectively, which were originated at interest rates prevailing at the date of commitment. Since we can terminate a loan commitment if the borrower does not comply with the terms of the contract, and some loan commitments may expire without being drawn upon, these commitments do not necessarily represent future cash requirements. We evaluate the creditworthiness of these transactions through our normal credit policies.

We hedge our exposure to interest rate market risk relating to residential mortgage loans available-for-sale and IRLCs using forward contracts on mortgage-backed securities, which are commitments to either purchase or sell a specified financial instrument at a specified future date for a specified price, and whole loan investor commitments, which are obligations of an investor to buy loans at a specified price within a specified time period. Forward contracts on mortgage-backed securities are the predominant derivative financial instruments we use to minimize market risk during the period from the time we extend an interest rate lock to a loan applicant until the time the loan is sold to an investor. At December 31, 2022 and 2021, we had unexpired forward contracts of \$1.0 billion and \$903.0 million, respectively, and whole loan investor commitments of \$285.9 million and \$310.0 million, respectively. Changes in the fair value of IRLCs and other derivative financial instruments are recognized in Financial Services revenues, and the fair values are reflected in other assets or other liabilities, as applicable.

There are no credit-risk-related contingent features within our derivative agreements, and counterparty risk is considered minimal. Gains and losses on IRLCs are substantially offset by corresponding gains or losses on forward contracts on mortgage-backed securities and whole loan investor commitments. We are generally not exposed to variability in cash flows of derivative instruments for more than approximately 60 days.

The fair values of derivative instruments and their location in the Consolidated Balance Sheets are summarized below (\$000's omitted):

	December 31, 2022		December 31, 2021	
	Other Assets	Other Liabilities	Other Assets	Other Liabilities
IRLCs	\$ 10,830	\$ 1,572	\$ 8,582	\$ 33
Forward contracts	4,144	20,853	757	1,336
Whole loan commitments	806	165	384	4
	<u>\$ 15,780</u>	<u>\$ 22,590</u>	<u>\$ 9,723</u>	<u>\$ 1,373</u>

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Credit losses

We are exposed to credit losses primarily through our vendors and insurance carriers. We assess and monitor each counterparty's ability to pay amounts owed by considering contractual terms and conditions, the counterparty's financial condition, macroeconomic factors, and business strategy.

At December 31, 2022 and 2021, we reported \$222.9 million and \$208.4 million of assets in-scope under Accounting Standards Codification 326, "Financial Instruments - Credit Losses" ("ASC 326"). These assets consist primarily of insurance receivables, contract assets related to insurance brokerage commissions, accounts receivable, and vendor rebate receivables. Counterparties associated with these assets are generally highly rated. Allowances on the aforementioned in-scope assets were not material as of December 31, 2022.

New accounting pronouncements

On January 1, 2020, we adopted ASC 326, which changed the impairment model for most financial assets and certain other instruments from an "incurred loss" approach to a new "expected credit loss" methodology. We adopted ASC 326 using the modified retrospective transition method. The amendment requires entities to consider a broader range of information to estimate expected credit losses, which may result in earlier recognition of losses. Our adoption of ASC 326 resulted in a \$0.7 million decrease to retained earnings as of January 1, 2020.

On January 1, 2020, we adopted ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment", which removed the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. Under the new standard, goodwill impairment is determined by evaluating the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The standard was followed in the previously mentioned assessment of the ICG goodwill.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848)", as amended by ASU 2021-01 in January 2021, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by the cessation of the London Interbank Offered Rate (LIBOR) or by another reference rate expected to be discontinued. The guidance was effective beginning March 12, 2020 and can be applied prospectively through December 31, 2024. We will adopt these standards when LIBOR is discontinued and do not expect that the adoption will have a material impact on our consolidated financial statements or related disclosures.

2. Inventory and land held for sale

Major components of inventory at December 31, 2022 and 2021 were (\$000's omitted):

	2022	2021
Homes under construction	\$ 5,440,186	\$ 4,225,309
Land under development	5,134,432	4,091,015
Raw land	679,341	731,245
Consolidated inventory not owned (a)	72,058	—
	<u>\$ 11,326,017</u>	<u>\$ 9,047,569</u>

(a) Consolidated inventory not owned includes land sold to third parties for which the Company retains a repurchase option.

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

In all periods presented, we capitalized all Homebuilding interest costs into inventory because the level of our active inventory exceeded our debt levels. Activity related to interest capitalized into inventory is as follows (\$000's omitted):

	Years Ended December 31,		
	2022	2021	2020
Interest in inventory, beginning of period	\$ 160,756	\$ 193,409	\$ 210,383
Interest capitalized	130,051	129,380	159,575
Interest expensed	(153,545)	(162,033)	(176,549)
Interest in inventory, end of period	<u>\$ 137,262</u>	<u>\$ 160,756</u>	<u>\$ 193,409</u>

Land-related charges

We recorded the following land-related charges (\$000's omitted):

	Statement of Operations Classification	2022	2021	2020
Net realizable value adjustments ("NRV") - land held for sale	Land sale and other cost of revenues	\$ 107	\$ 19	\$ 871
Land impairments	Home sale cost of revenues	2,990	—	7,044
Write-offs of deposits and pre-acquisition costs	Other expense, net	63,559	12,283	12,390
Total land-related charges		<u>\$ 66,656</u>	<u>\$ 12,302</u>	<u>\$ 20,305</u>

Our evaluations for land-related charges are based on our best estimates of the future cash flows for our communities. Due to uncertainties in the estimation process, the significant volatility in demand for new housing, the long life cycles of certain of our communities, and potential changes in our strategy related to certain communities, actual results could differ significantly from such estimates.

3. Segment information

Our Homebuilding operations are engaged in the acquisition and development of land primarily for residential purposes within the U.S. and the construction of housing on such land. Home sale revenues for detached and attached homes were \$13.5 billion and \$2.3 billion in 2022, \$11.2 billion and \$2.2 billion in 2021, and \$8.9 billion and \$1.6 billion in 2020, respectively. For reporting purposes, our Homebuilding operations are aggregated into six reportable segments:

Northeast:	<i>Connecticut, Maryland, Massachusetts, New Jersey, Pennsylvania, Virginia</i>
Southeast:	<i>Georgia, North Carolina, South Carolina, Tennessee</i>
Florida:	<i>Florida</i>
Midwest:	<i>Illinois, Indiana, Kentucky, Michigan, Minnesota, Ohio</i>
Texas:	<i>Texas</i>
West:	<i>Arizona, California, Colorado, Nevada, New Mexico, Washington</i>

We also have a reportable segment for our Financial Services operations, which consist principally of mortgage banking, title, and insurance brokerage operations. The Financial Services segment operates generally in the same markets as the Homebuilding segments. Evaluation of segment performance is generally based on income before income taxes. Each reportable segment generally follows the same accounting policies described in [Note 1](#).

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Operating Data by Segment (\$000's omitted)			
Years Ended December 31,			
	2022	2021	2020
Revenues:			
Northeast	\$ 1,077,514	\$ 1,127,476	\$ 846,337
Southeast	2,795,640	2,234,297	1,691,822
Florida	3,981,766	3,154,583	2,350,055
Midwest	2,318,255	1,979,997	1,514,132
Texas	2,239,822	1,805,208	1,451,104
West	3,504,282	3,235,789	2,820,463
	15,917,279	13,537,350	10,673,913
Financial Services	311,716	389,532	362,169
Consolidated revenues	\$ 16,228,995	\$ 13,926,882	\$ 11,036,082
Income before income taxes (a):			
Northeast	\$ 244,233	\$ 215,193	\$ 136,985
Southeast	692,279	417,880	258,794
Florida (b)	939,034	585,680	362,276
Midwest	363,028	287,956	213,516
Texas	465,461	322,979	242,383
West (c)	687,403	592,845	424,304
Other homebuilding (d)	(84,110)	(134,405)	(96,201)
	3,307,328	2,288,128	1,542,057
Financial Services	132,230	221,717	186,637
Consolidated income before income taxes	\$ 3,439,558	\$ 2,509,845	\$ 1,728,694

(a) Includes certain land-related charges (see the following table and [Note 2](#)).

(b) Includes goodwill impairment charge totaling \$20.2 million in 2020 (see [Note 1](#)).

(c) West includes a gain of \$49.1 million related to a property sale in an unconsolidated entity in 2022.

(d) Other homebuilding includes the amortization of intangible assets, amortization of capitalized interest, and other items not allocated to the operating segments. Also included are insurance reserve reversals of \$65.0 million, \$81.1 million, and \$93.4 million in 2022, 2021 and 2020, respectively, partially offset by reserves against insurance receivables of \$17.8 million in 2020 (see [Note 11](#)) and a loss on debt retirement of \$61.5 million in 2021 (see [Note 5](#)).

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Operating Data by Segment (\$000's omitted) Years Ended December 31,			
	2022	2021	2020
Land-related charges*:			
Northeast	\$ 4,597	\$ 1,433	\$ 5,301
Southeast	18,381	5,365	3,815
Florida	13,515	1,088	1,395
Midwest	6,517	2,150	2,390
Texas	6,745	1,357	4,588
West	16,406	909	1,936
Other homebuilding	495	—	880
	\$ 66,656	\$ 12,302	\$ 20,305

* Land-related charges include land impairments, NRV adjustments for land held for sale, and write-offs of deposits and pre-acquisition costs for land option contracts we elected not to pursue. See [Note 2](#) for additional discussion of these charges.

Operating Data by Segment (\$000's omitted) Years Ended December 31,			
	2022	2021	2020
Depreciation and amortization:			
Northeast	\$ 2,956	\$ 2,631	\$ 2,454
Southeast	5,151	4,765	4,308
Florida	11,720	8,823	7,478
Midwest	7,035	6,332	5,329
Texas	5,591	4,989	3,631
West	11,840	11,898	11,450
Other homebuilding	19,929	24,811	26,459
	64,222	64,249	61,109
Financial Services	6,696	5,704	4,972
	\$ 70,918	\$ 69,953	\$ 66,081

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Operating Data by Segment (\$000's omitted)						
December 31, 2022						
	Homes Under Construction	Land Under Development	Raw Land	Consolidated Inventory Not Owned	Total Inventory	Total Assets
Northeast	\$ 321,687	\$ 241,897	\$ 45,455	\$ —	\$ 609,039	\$ 700,413
Southeast	793,539	544,867	102,336	20,169	1,460,911	1,668,053
Florida	1,417,657	1,081,836	125,253	51,889	2,676,635	3,195,091
Midwest	523,194	689,541	22,467	—	1,235,202	1,382,227
Texas	690,622	726,342	133,300	—	1,550,264	1,735,683
West	1,662,251	1,528,863	238,758	—	3,429,872	3,771,808
Other homebuilding (a)	31,236	321,086	11,772	—	364,094	1,470,919
	5,440,186	5,134,432	679,341	72,058	11,326,017	13,924,194
Financial Services	—	—	—	—	—	872,321
	<u>\$ 5,440,186</u>	<u>\$ 5,134,432</u>	<u>\$ 679,341</u>	<u>\$ 72,058</u>	<u>\$ 11,326,017</u>	<u>\$ 14,796,515</u>
December 31, 2021						
	Homes Under Construction	Land Under Development	Raw Land	Consolidated Inventory Not Owned	Total Inventory	Total Assets
Northeast	\$ 285,975	\$ 246,128	\$ 17,554	\$ —	\$ 549,657	\$ 644,019
Southeast	604,310	537,072	67,815	—	1,209,197	1,362,852
Florida	943,110	866,266	289,388	—	2,098,764	2,545,457
Midwest	527,001	460,279	15,869	—	1,003,149	1,132,081
Texas	581,417	512,925	95,833	—	1,190,175	1,315,943
West	1,235,457	1,191,834	227,850	—	2,655,141	2,955,283
Other homebuilding (a)	48,039	276,511	16,936	—	341,486	2,314,839
	4,225,309	4,091,015	731,245	—	9,047,569	12,270,474
Financial Services	—	—	—	—	—	1,082,157
	<u>\$ 4,225,309</u>	<u>\$ 4,091,015</u>	<u>\$ 731,245</u>	<u>\$ —</u>	<u>\$ 9,047,569</u>	<u>\$ 13,352,631</u>

(a) Other homebuilding primarily includes cash and equivalents, capitalized interest, intangibles, deferred tax assets, and other corporate items that are not allocated to the operating segments.

4. Investments in unconsolidated entities

We participate in a number of joint ventures and other investments with independent third parties. These entities generally purchase, develop, and sell land, including selling land to us for use in our homebuilding operations. Our investments in such entities totaled \$146.8 million and \$98.2 million at December 31, 2022 and 2021, respectively. In 2022, 2021, and 2020, we recognized earnings from unconsolidated joint ventures of \$50.7 million, \$17.2 million, and \$1.9 million, respectively. We received distributions from our unconsolidated joint ventures of \$21.7 million, \$53.9 million, and \$27.9 million in 2022, 2021, and 2020, respectively. We made capital contributions to our unconsolidated joint ventures of \$64.7 million, \$101.6 million, and \$0.8 million in 2022, 2021, and 2020, respectively.

At December 31, 2022, aggregate outstanding debt of unconsolidated joint ventures was \$77.3 million, of which \$42.0 million related to one joint venture in which we have a 50% interest. In connection with this loan, we and our joint venture partner provided customary limited recourse guaranties in which our maximum financial loss exposure is limited to our pro rata share of the debt outstanding.

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The timing of cash flows related to a joint venture and any related financing agreements varies by agreement. If additional capital contributions are required and approved by the joint venture, we would need to contribute our pro rata portion of those capital needs in order to not dilute our ownership in the joint ventures. While future capital contributions may be required, we believe the total amount of such contributions will be limited. Our maximum financial exposure related to joint ventures is unlikely to exceed the combined investment and limited recourse guaranty totals.

5. Debt

Our notes payable are summarized as follows (\$000's omitted):

	December 31,	
	2022	2021
5.500% unsecured senior notes due March 2026 <i>(a)</i>	\$ 500,000	\$ 500,000
5.000% unsecured senior notes due January 2027 <i>(a)</i>	500,000	500,000
7.875% unsecured senior notes due June 2032 <i>(a)</i>	300,000	300,000
6.375% unsecured senior notes due May 2033 <i>(a)</i>	400,000	400,000
6.000% unsecured senior notes due February 2035 <i>(a)</i>	300,000	300,000
Net premiums, discounts, and issuance costs <i>(b)</i>	(9,701)	(11,142)
Total senior notes	\$ 1,990,299	\$ 1,988,858
Other notes payable	55,228	40,185
Notes payable	\$ 2,045,527	\$ 2,029,043
Estimated fair value	\$ 2,079,218	\$ 2,496,875

(a) Redeemable prior to maturity; guaranteed on a senior basis by certain wholly-owned subsidiaries.

(b) The carrying value of senior notes reflects the impact of premiums, discounts, and issuance costs that are amortized to interest cost over the respective terms of the senior notes.

The indentures governing the senior notes impose certain restrictions on the incurrence of additional debt along with other limitations. At December 31, 2022, we were in compliance with all of the covenants and requirements under the senior notes.

Other notes payable include non-recourse and limited recourse collateralized notes with third parties that totaled \$55.2 million and \$40.2 million at December 31, 2022 and 2021, respectively. These notes have maturities ranging up to four years, are secured by the applicable land positions to which they relate, and generally have no recourse to any other assets. The stated interest rates on these notes range up to 6%. We recorded inventory through seller financing of \$39.1 million, \$50.9 million, and \$52.0 million in 2022, 2021, and 2020, respectively.

We retired outstanding debt totaling \$4.9 million, \$836.9 million, and \$65.3 million during 2022, 2021, and 2020, respectively. The retirements in 2021 included a tender offer to retire \$200.0 million and \$100.0 million of our unsecured notes scheduled to mature in 2026 and 2027, respectively. The retirement in 2021 resulted in a loss of \$61.5 million that included the write-off of debt issuance costs, unamortized discounts and premiums, and transaction fees related to the repurchased debt and which is reflected in other expense, net.

Revolving credit facility

We maintain a revolving credit facility ("Revolving Credit Facility") maturing in June 2027 that has a maximum borrowing capacity of \$1.3 billion and contains an uncommitted accordion feature that could increase the capacity to \$1.8 billion, subject to certain conditions and availability of additional bank commitments. The Revolving Credit Facility also provides for the issuance of letters of credit that reduce the available borrowing capacity under the Revolving Credit Facility, up to the maximum borrowing capacity. The interest rate on borrowings under the Revolving Credit Facility may be based on either the Secured Overnight Financing Rate or a base rate plus an applicable margin, as defined therein. The Revolving Credit Facility contains financial covenants that require us to maintain a minimum Tangible Net Worth and a maximum Debt-to-Capitalization Ratio (as each term is defined in the Revolving Credit Facility). As of December 31, 2022, we were in compliance with all covenants. Outstanding balances under the Revolving Credit Facility are guaranteed by certain of our wholly-owned subsidiaries.

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

At December 31, 2022, we had no borrowings outstanding, \$303.4 million of letters of credit issued, and \$946.6 million of remaining capacity under the Revolving Credit Facility. At December 31, 2021, we had no borrowings outstanding, \$298.8 million of letters of credit issued, and \$701.2 million of remaining capacity under the Revolving Credit Facility.

Financial Services debt

Pulte Mortgage maintains a master repurchase agreement with third party lenders (the "Repurchase Agreement") that matures on July 27, 2023. The maximum aggregate commitment was \$800.0 million during the seasonally high borrowing period from December 27, 2022 through January 12, 2023. At all other times, the maximum aggregate commitment ranges from \$360.0 million to \$500.0 million. The purpose of the changes in capacity during the term of the agreement is to lower associated fees during seasonally lower volume periods of mortgage origination activity. Borrowings under the Repurchase Agreement are secured by residential mortgage loans available-for-sale. The Repurchase Agreement contains various affirmative and negative covenants applicable to Pulte Mortgage, including quantitative thresholds related to net worth, net income, and liquidity. At December 31, 2022, Pulte Mortgage had \$586.7 million outstanding at a weighted average interest rate of 5.39%, and \$213.3 million of remaining capacity under the Repurchase Agreement. At December 31, 2021, Pulte Mortgage had \$626.1 million outstanding at a weighted average interest rate of 2.37% and \$23.9 million of remaining capacity under the Repurchase Agreement. Pulte Mortgage was in compliance with its covenants and requirements as of such dates.

6. Shareholders' equity

We declared quarterly cash dividends totaling \$143.1 million, \$148.1 million, and \$135.1 million in 2022, 2021, and 2020, respectively. Under a share repurchase program authorized by our Board of Directors, we repurchased 24.2 million, 17.7 million, and 4.5 million shares in 2022, 2021, and 2020, respectively, for a total of \$1.1 billion, \$897.3 million, and \$170.7 million in 2022, 2021, and 2020, respectively. On January 31, 2022, the Board of Directors increased our share repurchase authorization by \$1.0 billion. At December 31, 2022, we had remaining authorization to repurchase \$382.9 million of common shares.

Under our stock compensation plans, we accept shares as payment under certain conditions related to stock option exercises and vesting of restricted shares and share units, generally related to the payment of tax obligations. During 2022, 2021, and 2020, employees surrendered shares valued at \$14.3 million, \$10.8 million, and \$14.9 million, respectively, under these plans. Such share transactions are excluded from the above noted share repurchase authorization.

7. Stock compensation plans

We maintain a stock award plan for both employees and non-employee directors. The plan provides for the grant of a variety of equity awards, including options (generally non-qualified options), restricted share units ("RSUs"), and performance share units ("PSUs") to key employees (as determined by the Compensation and Management Development Committee of the Board of Directors) for periods not to exceed ten years. Non-employee directors are awarded an annual distribution of common shares. RSUs represent the right to receive an equal number of common shares and are converted into common shares upon distribution. RSUs generally cliff vest after three years, and RSU holders earn cash or accrued dividends during the vesting period. PSUs vest upon attainment of the stated performance targets and minimum service requirements and are converted into common shares upon distribution. As of December 31, 2022, there were 11.3 million shares that remained available for grant under the plan. Our stock compensation expense is presented below (\$000's omitted):

	2022	2021	2020
RSUs and PSUs	\$ 33,323	\$ 25,192	\$ 22,065
Other long-term incentive plans	9,666	11,553	10,778
	<u>\$ 42,989</u>	<u>\$ 36,745</u>	<u>\$ 32,843</u>

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

RSUs and PSUs

A summary of RSUs and PSUs is presented below (000's omitted, except per share data):

	2022		2021		2020	
	Shares	Weighted-Average Per Share Grant Date Fair Value	Shares	Weighted-Average Per Share Grant Date Fair Value	Shares	Weighted-Average Per Share Grant Date Fair Value
Outstanding, beginning of year	1,995	\$ 39	2,001	\$ 33	2,528	\$ 26
Granted	550	54	720	47	594	44
Distributed	(813)	28	(642)	30	(952)	21
Forfeited	(104)	48	(84)	38	(169)	33
Outstanding, end of year	<u>1,628</u>	<u>\$ 48</u>	<u>1,995</u>	<u>\$ 39</u>	<u>2,001</u>	<u>\$ 33</u>

During 2022, 2021, and 2020, the total fair value of shares vested during the year was \$40.5 million, \$30.5 million, and \$43.3 million, respectively. Unamortized compensation cost related to share awards was \$25.4 million at December 31, 2022. These costs will be expensed over a weighted-average period of approximately two years. Additionally, there were 0.2 million deferred shares at December 31, 2022, that had vested but had not yet been paid out because the payout date had been deferred by the holders.

Other long-term incentive plans

We maintain long-term incentive plans for senior management and other employees that provide awards based on the achievement of stated performance targets over three-year periods. Awards are stated in dollars but are settled in common shares based on the stock price at the end of the performance period. If the share price falls below a floor of \$5.00 per share at the end of the performance period or we do not have a sufficient number of shares available under our stock incentive plans at the time of settlement, then a portion of each award will be paid in cash. We adjust the liabilities and recognize the expense associated with the awards based on the probability of achieving the stated performance targets at each reporting period. Liabilities for these awards totaled \$21.6 million and \$22.6 million at December 31, 2022 and 2021, respectively.

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Income taxes

Components of current and deferred income tax expense (benefit) are as follows (\$000's omitted):

	2022	2021	2020
Current expense (benefit)			
Federal	\$ 615,434	\$ 430,686	\$ 159,677
State and other	100,223	73,671	24,580
	<u>\$ 715,657</u>	<u>\$ 504,357</u>	<u>\$ 184,257</u>
Deferred expense (benefit)			
Federal	\$ 55,653	\$ 57,743	\$ 116,484
State and other	50,931	1,425	21,114
	<u>\$ 106,584</u>	<u>\$ 59,168</u>	<u>\$ 137,598</u>
Income tax expense (benefit)	<u><u>\$ 822,241</u></u>	<u><u>\$ 563,525</u></u>	<u><u>\$ 321,855</u></u>

The following table reconciles the statutory federal income tax rate to the effective income tax rate:

	2022	2021	2020
Income taxes at federal statutory rate	21.0 %	21.0 %	21.0 %
State and local income taxes, net of federal tax	3.4	3.3	3.3
Federal tax credits	(0.9)	(1.2)	(4.8)
Deferred tax asset valuation allowance	0.4	(0.8)	(0.8)
Other	—	0.2	(0.1)
Effective rate	<u><u>23.9 %</u></u>	<u><u>22.5 %</u></u>	<u><u>18.6 %</u></u>

The effective tax rates differ from the federal statutory rate primarily due to state income tax expense, benefits associated with federal energy efficient home credits, and changes in valuation allowances relating to projected utilization of certain state net operating loss ("NOL") carryforwards. Income tax expense for 2020 includes a benefit of \$56.8 million associated with the extension of federal energy efficient home credits related to homes closed in prior open tax years.

On August 16, 2022, the Inflation Reduction Act ("IRA") was enacted, extending the federal efficient home credit through December 2032. The criteria for homes qualifying for the credit shifted to a higher standard effective January 1, 2023. We are currently analyzing the impact of the increased requirements on our ability to qualify homes for the credit. Other tax provisions of the IRA, including the corporate alternative minimum tax effective for tax years ended after December 31, 2022, are not expected to have a material impact on our financial statements.

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Deferred tax assets and liabilities reflect temporary differences arising from the different treatment of items for tax and accounting purposes. Components of our net deferred tax asset are as follows (\$000's omitted):

	At December 31,	
	2022	2021
Deferred tax assets:		
Accrued insurance	\$ 138,289	\$ 132,386
Inventory valuation reserves	58,339	62,806
Capitalized inventory expenses	32,620	13,839
State NOL carryforwards	105,609	144,746
Other	66,500	59,667
	<u>401,357</u>	<u>413,444</u>
Deferred tax liabilities:		
Deferred income	(439,863)	(367,285)
Fixed assets and intangibles	(31,921)	(21,324)
Other	(31,802)	(26,151)
	<u>(503,586)</u>	<u>(414,760)</u>
Valuation allowance	(30,869)	(25,165)
Net deferred tax asset (liability)	<u>\$ (133,098)</u>	<u>\$ (26,481)</u>

We have state NOLs in various jurisdictions that may generally be carried forward up to 20 years, depending on the jurisdiction. Our state NOL carryforward deferred tax assets will expire if unused at various dates as follows: \$32.8 million from 2023 to 2027 and \$72.8 million from 2028 and thereafter.

We evaluate our deferred tax assets each period to determine if a valuation allowance is required based on whether it is "more likely than not" that some portion of the deferred tax assets would not be realized. The ultimate realization of these deferred tax assets is dependent upon the generation of sufficient taxable income during future periods. We conduct our evaluation by considering all available positive and negative evidence, including, among other factors, historical operating results, forecasts of future profitability, the duration of statutory carryforward periods, and the outlooks for the U.S. housing industry and broader economy.

The accounting for deferred taxes is based upon estimates of future results. Differences between estimated and actual results could result in changes in the valuation of our deferred tax assets that could have a material impact on our consolidated results of operations or financial position. Changes in existing tax laws could also affect actual tax results and the realization of deferred tax assets over time.

Unrecognized tax benefits represent the difference between tax positions taken or expected to be taken in a tax return and the benefits recognized for financial statement purposes. We had \$23.6 million and \$22.5 million of gross unrecognized tax benefits at December 31, 2022 and 2021, respectively. If recognized, \$18.7 million and \$17.8 million, respectively, of these amounts would impact our effective tax rate. Additionally, we had accrued interest and penalties of \$4.1 million and \$2.9 million at December 31, 2022 and 2021, respectively.

We do not expect the total amount of gross unrecognized tax benefits to increase or decrease by a material amount within the next twelve months. A reconciliation of the change in the unrecognized tax benefits is as follows (\$000's omitted):

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2022	2021	2020
Unrecognized tax benefits, beginning of period	\$ 22,536	\$ 30,855	\$ 40,300
Increases related to positions taken during a prior period	—	1,428	—
Decreases related to positions taken during a prior period	(303)	(8,896)	(12,981)
Increases related to positions taken during the current period	1,450	267	11,001
Decreases related to settlements with taxing authorities	—	—	(7,465)
Decreases related to lapse of the applicable statute of limitations	(71)	(1,118)	—
Unrecognized tax benefits, end of period	<u>\$ 23,612</u>	<u>\$ 22,536</u>	<u>\$ 30,855</u>

We continue to participate in the Compliance Assurance Process (“CAP”) with the IRS as an alternative to the traditional IRS examination process. Through the CAP program, we work with the IRS to achieve tax compliance by resolving issues prior to filing the tax return. We are also currently under examination by state taxing jurisdictions and anticipate finalizing certain of the examinations within the next twelve months. The outcome of these examinations is not yet determinable, and we are not aware of unrecorded liabilities. The statute of limitations for our major tax jurisdictions remains open for examination for tax years 2017 to 2022.

9. Fair value disclosures

ASC 820, "Fair Value Measurements and Disclosures," provides a framework for measuring fair value in generally accepted accounting principles and establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy can be summarized as follows:

- Level 1 Fair value determined based on quoted prices in active markets for identical assets or liabilities.
- Level 2 Fair value determined using significant observable inputs, generally either quoted prices in active markets for similar assets or liabilities or quoted prices in markets that are not active.
- Level 3 Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows, or similar techniques

Our assets and liabilities measured or disclosed at fair value are summarized below (\$000's omitted):

Financial Instrument	Fair Value Hierarchy	Fair Value	
		December 31, 2022	December 31, 2021
Measured at fair value on a recurring basis:			
Residential mortgage loans available-for-sale	Level 2	677,207	947,139
IRLCs	Level 2	9,258	8,549
Forward contracts	Level 2	(16,709)	(579)
Whole loan commitments	Level 2	641	380
Measured at fair value on a non-recurring basis:			
House and land inventory	Level 3	\$ 10,873	\$ —
Disclosed at fair value:			
Cash and equivalents (including restricted cash)	Level 1	1,094,553	1,833,565
Financial Services debt	Level 2	586,711	626,123
Senior notes payable	Level 2	2,023,990	2,456,690
Other notes payable	Level 2	55,228	40,185

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Fair values for agency residential mortgage loans available-for-sale are determined based on quoted market prices for comparable instruments. Fair values for non-agency residential mortgage loans available-for-sale are determined based on purchase commitments from whole loan investors and other relevant market information available to management. Fair values for interest rate lock commitments, including the value of servicing rights, and forward contracts on mortgage-backed securities are valued based on market prices for similar instruments. Fair values for whole loan commitments are based on market prices for similar instruments from the specific whole loan investor. See [Note 1](#) for a more detailed discussion of these derivative instruments.

Certain assets are required to be recorded at fair value on a non-recurring basis when events and circumstances indicate that the carrying value may not be recoverable. The non-recurring fair values included in the above table represent only those assets whose carrying values were adjusted to fair value during the quarterly period ended as of the respective balance sheet dates. See [Note 1](#) for a more detailed discussion of the valuation methods used for inventory.

The carrying amounts of cash and equivalents, Financial Services debt, Other notes payable and the Revolving Credit Facility approximate their fair values due to their short-term nature and floating interest rate terms. The fair values of the Senior notes payable are based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of similar issues. The carrying value of the senior notes payable was \$2.0 billion at both December 31, 2022 and 2021.

10. Other assets and accrued and other liabilities

Other assets are presented below (\$000's omitted):

	December 31,	
	2022	2021
Accounts and notes receivable:		
Insurance receivables (Note 11)	\$ 43,746	\$ 57,490
Other receivables	193,047	161,102
	236,793	218,592
Deposits and pre-acquisition costs (Note 1)	478,755	404,922
Prepaid expenses	223,524	159,683
Property and equipment, net (Note 1)	200,262	149,151
Right-of-use assets (Note 11)	73,485	74,315
Income taxes receivable	24,281	71,400
Other	54,472	32,903
	<u>\$ 1,291,572</u>	<u>\$ 1,110,966</u>

We record receivables from various parties in the normal course of business, including amounts due from insurance companies (see [Note 11](#)) and municipalities. In certain instances, we may accept consideration for land sales or other transactions in the form of a note receivable.

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Accrued and other liabilities are presented below (\$000's omitted):

	December 31,	
	2022	2021
Self-insurance liabilities (Note 11)	\$ 635,857	\$ 627,067
Compensation-related liabilities	239,459	261,096
Warranty liabilities (Note 11)	108,348	107,117
Income tax liabilities (Note 8)	98,709	72,134
Lease liabilities (Note 11)	90,083	92,663
Liabilities related to consolidated inventory not owned (Note 2)	72,058	—
Accrued interest	41,135	42,591
Dividends payable (Note 6)	36,696	37,796
Loan origination liabilities (Note 11)	12,378	12,381
Other	350,479	323,633
	\$ 1,685,202	\$ 1,576,478

11. Commitments and contingencies

Loan origination liabilities

Our mortgage operations may be responsible for losses associated with mortgage loans originated and sold to investors in the event of errors or omissions relating to representations and warranties made by us that the loans met certain requirements, including representations as to underwriting standards, the existence of primary mortgage insurance, and the validity of certain borrower representations in connection with the loan. If a loan is determined to be faulty, we either indemnify the investor for potential future losses, repurchase the loan from the investor, or reimburse the investor's actual losses. In addition, certain trustees and investors continue to attempt to collect damages based on losses from loans that originated prior to 2009.

Estimating the required liability for these potential losses requires a significant level of management judgment. During 2020, we increased our loan origination liabilities by \$26.4 million based on settlements of a number of claims related to loans originated prior to 2009. Reserves provided (released) are reflected in Financial Services expenses. Changes in these liabilities were as follows (\$000's omitted):

	2022	2021	2020
Liabilities, beginning of period	\$ 12,381	\$ 11,969	\$ 25,159
Reserves provided (released), net	472	618	26,410
Payments	(475)	(206)	(39,600)
Liabilities, end of period	\$ 12,378	\$ 12,381	\$ 11,969

Given the unsettled claims, changes in values of underlying collateral over time, and other uncertainties regarding the ultimate resolution of known and potential claims, actual costs could differ from our current estimates.

Community development and other special district obligations

A community development district ("CDD") or similar development authority is a unit of local government created under various state statutes that utilizes the proceeds from the sale of bonds to finance the construction or acquisition of infrastructure assets of a development. A portion of the liability associated with the bonds, including principal and interest, is assigned to each parcel of land within the development. This debt is typically paid by subsequent special assessments levied by the CDD on the landowners. Generally, we are only responsible for paying the special assessments for the period during which we are the landowner of the applicable parcels and we include our estimated obligations as part of our land development budgets.

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Letters of credit and surety bonds

In the normal course of business, we post letters of credit and surety bonds pursuant to certain performance-related obligations, as security for certain land option agreements, and under various insurance programs. The majority of these letters of credit and surety bonds are in support of our land development and construction obligations to various municipalities, other government agencies, and utility companies related to the construction of roads, sewers, and other infrastructure. We had outstanding letters of credit and surety bonds totaling \$303.4 million and \$2.2 billion, respectively, at December 31, 2022, and \$298.8 million and \$1.8 billion, respectively, at December 31, 2021. In the event any such letter of credit or surety bonds is drawn, we would be obligated to reimburse the issuer of the letter of credit or surety bond. We do not believe that a material amount, if any, of the letters of credit or surety bonds will be drawn. Our surety bonds generally do not have stated expiration dates; rather, we are released from the surety bonds as the underlying contractual performance is completed. Because significant construction and development work has been performed related to the applicable projects but has not yet received final acceptance by the respective counterparties, the aggregate amount of surety bonds outstanding is in excess of the projected cost of the remaining work to be performed.

Litigation and regulatory matters

We are involved in litigation and legal claims in the normal course of our business operations, including actions brought on behalf of various classes of claimants. We are also subject to a variety of local, state, and federal laws and regulations related to land development activities, house construction standards, sales practices, mortgage lending operations, employment practices, and protection of the environment. As a result, we are subject to periodic examination or inquiry by various governmental agencies that administer these laws and regulations.

We establish liabilities for legal claims and regulatory matters when such matters are both probable of occurring and any potential loss is reasonably estimable. We accrue for such matters based on the facts and circumstances specific to each matter and revise these estimates as the matters evolve. In such cases, there may exist an exposure to loss in excess of any amounts currently accrued. In view of the inherent difficulty of predicting the outcome of these legal and regulatory matters, we generally cannot predict the ultimate resolution of the pending matters, the related timing, or the eventual loss. While the outcome of such contingencies cannot be predicted with certainty, we do not believe that the resolution of such matters will have a material adverse impact on our results of operations, financial position, or cash flows. However, to the extent the liability arising from the ultimate resolution of any matter exceeds the estimates reflected in the recorded reserves relating to such matter, we could incur additional charges that could be significant.

Warranty liabilities

Factors that affect our warranty liabilities include the number of homes sold, historical and anticipated rates of warranty claims, and the projected cost of claims. We periodically assess the adequacy of the warranty liabilities for each geographic market in which we operate and adjust the amounts as necessary. Actual warranty costs in the future could differ from the current estimates. Changes in warranty liabilities were as follows (\$000's omitted):

	2022	2021	2020
Warranty liabilities, beginning of period	\$ 107,117	\$ 82,744	\$ 91,389
Reserves provided	85,011	93,919	64,492
Payments	(90,508)	(73,760)	(70,869)
Other adjustments	6,728	4,214	(2,268)
Warranty liabilities, end of period	<u>\$ 108,348</u>	<u>\$ 107,117</u>	<u>\$ 82,744</u>

Self-insured risks

We maintain, and require our subcontractors to maintain, general liability insurance coverage. We also maintain builders' risk, property, errors and omissions, workers compensation, and other business insurance coverage. These insurance policies protect us against a portion of the risk of loss from claims. However, we retain a significant portion of the overall risk for such claims either through our own self-insured per occurrence and aggregate retentions, deductibles, policies issued by our captive insurance subsidiaries, and any potential claims in excess of available insurance policy limits.

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Our general liability insurance includes coverage for certain construction defects. While construction defect claims may relate to a variety of issues, the majority of our claims relate to alleged problems with siding, windows, roofing, and foundations. The availability of general liability insurance for the homebuilding industry and its subcontractors has become increasingly limited, and the insurance policies available require companies to retain significant per occurrence and aggregate retention levels. In certain instances, we may offer our subcontractors the opportunity to purchase general liability insurance through one of our captive insurance subsidiaries or participate in a project-specific insurance program. Policies issued by our captive insurance subsidiaries represent self-insurance of these risks by us. This self-insured exposure is limited by reinsurance policies that we purchase. General liability coverage for the homebuilding industry is complex, and our coverage varies from policy year to policy year. Our insurance coverage requires a per occurrence retention up to an overall aggregate amount. Amounts paid to resolve insured claims apply to our per occurrence and aggregate retention obligations. Any amounts incurred in excess of the occurrence or aggregate retention levels are covered by insurance up to the purchased coverage levels. Our insurance policies, including the captive insurance subsidiaries' reinsurance policies, are maintained with highly-rated carriers for whom we believe counterparty default risk is not significant.

At any point in time, we are managing numerous individual claims related to general liability, property, errors and omission, workers compensation, and other business insurance coverage. We reserve for costs associated with these claims (including expected claims management expenses) on an undiscounted basis at the time revenue is recognized for each home closing and evaluate the recorded liabilities based on actuarial analyses of our historical claims. The actuarial analyses calculate estimates of the ultimate net cost of all unpaid losses, including estimates for incurred but not reported losses ("IBNR"). IBNR represents losses related to claims incurred but not yet reported plus development on reported claims.

Our recorded reserves for all such claims totaled \$635.9 million and \$627.1 million at December 31, 2022 and 2021, respectively, the vast majority of which relate to general liability claims. The recorded reserves include loss estimates related to both (i) existing claims and related claim expenses and (ii) IBNR and related claim expenses. Liabilities related to IBNR and related claim expenses represented approximately 74% and 70% of the total general liability reserves at December 31, 2022 and 2021, respectively. The actuarial analyses that determine the IBNR portion of reserves consider a variety of factors, including the frequency and severity of losses, which are based on our historical claims experience supplemented by industry data. The actuarial analyses of the reserves also consider historical third party recovery rates and claims management expenses.

Volatility in both national and local housing market conditions may affect the frequency and cost of construction defect claims. Additionally, IBNR estimates comprise the majority of our liability and are subject to a high degree of uncertainty due to a variety of factors, including changes in claims reporting and resolution patterns, third party recoveries, insurance industry practices, the regulatory environment, and legal precedent. State regulations vary, but construction defect claims are reported and resolved over an extended time period often exceeding ten years. Changes in the frequency and timing of reported claims and estimates of specific claim values can impact the underlying inputs and trends utilized in the actuarial analyses, which could have a material impact on the recorded reserves. Because of the inherent uncertainty in estimating future losses and the timing of such losses related to these claims, actual costs could differ significantly from estimated costs.

Adjustments to reserves are recorded in the period in which the change in estimate occurs. During 2022, 2021, and 2020, we reduced reserves, primarily general liability reserves, by \$65.0 million, \$81.1 million, and \$93.4 million, respectively, as a result of changes in estimates resulting from actual claim experience observed being less than anticipated in previous actuarial projections. The changes in actuarial estimates were driven by changes in actual claims experience that, in turn, impacted actuarial estimates for potential future claims. These changes in actuarial estimates did not involve any significant changes in actuarial methodology but did impact the development of estimates for future periods, which resulted in adjustments to the IBNR portion of our recorded liabilities. There were no material adjustments to individual claims. Rather, the adjustments reflect an overall lower level of losses related to construction defect claims in recent years as compared with our previous experience. We attribute this favorable experience to a variety of factors, including improved construction techniques, rising home values, and increased participation from our subcontractors in resolving claims. Costs associated with our insurance programs are classified within selling, general, and administrative expenses. Changes in these liabilities were as follows (\$000's omitted):

PULTEGROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2022	2021	2020
Balance, beginning of period	\$ 627,067	\$ 641,779	\$ 709,798
Reserves provided	111,067	90,863	83,912
Adjustments to previously recorded reserves	(64,965)	(81,131)	(93,431)
Payments, net (a)	(37,312)	(24,444)	(58,500)
Balance, end of period	<u>\$ 635,857</u>	<u>\$ 627,067</u>	<u>\$ 641,779</u>

(a) Includes net changes in amounts expected to be recovered from our insurance carriers, which are recorded in other assets (see below).

In certain instances, we have the ability to recover a portion of our costs under various insurance policies or from subcontractors or other third parties. Estimates of such amounts are recorded when recovery is considered probable. As reflected in [Note 10](#), our receivables from insurance carriers totaled \$43.7 million and \$57.5 million at December 31, 2022 and 2021, respectively. The insurance receivables relate to costs incurred or to be incurred to perform corrective repairs, settle claims with customers, and other costs related to the continued progression of both known and anticipated future construction defect claims that we believe to be insured related to previously closed homes. Given the complexity inherent with resolving construction defect claims in the homebuilding industry as described above, there typically is a significant lag between our payment of claims and our reimbursements from applicable insurance carriers. In addition, disputes between homebuilders and carriers over coverage positions relating to construction defect claims are common. Resolution of claims with carriers takes time, involves the exchange of significant amounts of information, and frequently involves legal action.

In 2020, we recorded reserves against insurance receivables of \$17.8 million in connection with policy settlement negotiations with certain of our carriers. We believe collection of our recorded insurance receivables is probable based on the legal merits of our positions after review by legal counsel, the high credit ratings of our carriers, and our long history of collecting significant amounts of insurance reimbursements under similar insurance policies related to similar claims. While the outcomes of these matters cannot be predicted with certainty, we do not believe that the resolution of such matters will have a material adverse impact on our results of operations, financial position, or cash flows.

Leases

We lease certain office space and equipment for use in our operations. We recognize lease expense for these leases on a straight-line basis over the lease term and combine lease and non-lease components for all leases. Right-of-use ("ROU") assets and lease liabilities are recorded on the balance sheet for all leases with an expected term of at least one year. Some leases include one or more options to renew. The exercise of lease renewal options is generally at our discretion. The depreciable lives of ROU assets and leasehold improvements are limited to the expected lease term. Certain of our lease agreements include rental payments based on a pro-rata share of the lessor's operating costs, which are variable in nature. Our lease agreements do not contain any residual value guarantees or material restrictive covenants.

ROU assets are classified within other assets on the balance sheet, while lease liabilities are classified within accrued and other liabilities. Leases with an initial term of 12 months or less are not recorded on the balance sheet. ROU assets and lease liabilities were \$73.5 million and \$90.1 million, respectively, at December 31, 2022, and \$74.3 million and \$92.7 million at December 31, 2021, respectively. We recorded an additional \$14.5 million and \$16.2 million of lease liabilities under operating leases during 2022 and 2021, respectively. Payments on lease liabilities during 2022, 2021, and 2020 totaled \$21.9 million, \$20.8 million, and \$19.8 million respectively.

Lease expense includes costs for leases with terms in excess of one year as well as short-term leases with terms of less than one year. Our total lease expense was \$54.8 million, \$43.3 million, and \$38.2 million during 2022, 2021, and 2020, respectively. Our total lease expense in 2022, 2021, and 2020 is inclusive of variable lease costs of \$9.9 million, \$7.7 million, and \$6.2 million respectively, and short-term lease costs of \$21.2 million, \$14.2 million, and \$10.2 million, respectively. Sublease income was de minimis. The future minimum lease payments required under our leases as of December 31, 2022 were as follows (\$000's omitted):

Years Ending December 31,	
2023	\$ 25,771
2024	22,762
2025	14,691
2026	10,958
2027	8,448
Thereafter	15,386
Total lease payments (a)	98,016
Less: Interest (b)	(7,933)
Present value of lease liabilities (c)	\$ 90,083

- (a) Lease payments include options to extend lease terms that are reasonably certain of being exercised and exclude \$1.8 million of legally binding minimum lease payments for leases signed but not yet commenced at December 31, 2022.
- (b) Our leases do not provide a readily determinable implicit rate. Therefore, we must estimate our discount rate for such leases to determine the present value of lease payments at the lease commencement date.
- (c) The weighted average remaining lease term and weighted average discount rate used in calculating our lease liabilities were 4.9 years and 5.4%, respectively, at December 31, 2022.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of PulteGroup, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PulteGroup, Inc. (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 6, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

Self-insured Risks

Description of the Matter	The Company's reserves for self-insured risks totaled \$635.9 million at December 31, 2022, of which the majority relates to incurred but not reported (IBNR) losses associated with exposures to construction defects on homes previously sold. As discussed in Notes 1 and 11 of the consolidated financial statements, the Company reserves for costs associated with construction defect claims (including IBNR losses and expected claims management expense) based on actuarial analyses of the Company's historical claims activity. The actuarial analyses that determine the IBNR reserves consider a variety of factors, which principally include the frequency and severity of losses. Auditing the Company's IBNR reserve for construction defects is complex due to the significant measurement uncertainty associated with the estimate, the use of various actuarial methods, and management's application of significant judgment. In addition, the reserve estimate is sensitive to significant management assumptions, including the frequency and severity assumptions used in the computation of the IBNR reserve and loss development factors for reported claims.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company's controls that address the risks of material misstatement relating to the measurement and valuation of the IBNR reserve. For example, we tested controls over management's review of the significant actuarial assumptions and the data inputs used by management when estimating IBNR losses. To test the IBNR reserve associated with construction defects exposures, our audit procedures included, among others, testing the completeness and accuracy of the underlying claims data used in management's estimation calculations and reviewing the Company's reinsurance contracts by policy year to assess the Company's self-insured retentions, deductibles, and coverage limits, which represent inputs to the actuarial models. Furthermore, we involved our actuarial specialists to assist in our assessment of the methodologies used by management to estimate the IBNR reserve. We compared the Company's self-insurance reserve (inclusive of the IBNR estimate) to a range developed by our actuarial specialists based on independently selected assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1973.

Atlanta, Georgia
February 6, 2023

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

This Item is not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management, including our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2022. Based upon, and as of the date of that evaluation, our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2022.

Internal Control Over Financial Reporting

(a) Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles and reflect management's judgments and estimates concerning events and transactions that are accounted for or disclosed.

Management is also responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management recognizes that there are inherent limitations in the effectiveness of any internal control and effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Additionally, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

In order to ensure that the Company's internal control over financial reporting is effective, management regularly assesses such controls and did so most recently for its financial reporting as of December 31, 2022. Management's assessment was based on criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on this assessment, management asserts that the Company has maintained effective internal control over financial reporting as of December 31, 2022.

Ernst & Young LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in this annual report, has issued its report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2022.

(b) Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of PulteGroup, Inc.

Opinion on Internal Control over Financial Reporting

We have audited PulteGroup, Inc.'s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, PulteGroup, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and our report dated February 6, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 6, 2023

(c) Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 2, 2023, it was agreed that the employment of Michelle H. Hairston, Senior Vice President, Human Resources of the Company would end effective February 10, 2023. Ms. Hairston will be eligible for separation benefits under the PulteGroup, Inc. Executive Severance Policy, as described in the Company's 2022 Definitive Proxy Statement filed with the Securities and Exchange Commission on March 22, 2022, based on a qualifying termination of employment without cause.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

This Item is not applicable

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item with respect to our executive officers is set forth in Part I, Item 1 of this Annual Report on Form 10-K. Information required by this Item with respect to members of our Board of Directors and with respect to our audit committee will be contained in the Proxy Statement for the 2023 Annual Meeting of Shareholders ("2023 Proxy Statement"), which will be filed no later than 120 days after December 31, 2022, under the captions "Election of Directors" and "Committees of the Board of Directors - Audit Committee" and in the chart disclosing Audit Committee membership and is incorporated herein by this reference. Information required by this Item with respect to our code of ethics will be contained in the 2023 Proxy Statement under the caption "Corporate Governance - Governance Guidelines; Code of Ethical Business Conduct; Code of Ethics; Prohibition on Hedging" and is incorporated herein by this reference.

Our code of ethics for principal officers, our code of ethical business conduct, our corporate governance guidelines, and the charters of the Audit, Compensation and Management Development, Nominating and Governance, and Finance and Investment committees of our Board of Directors are also posted on our website and are available in print, free of charge, upon request.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item will be contained in the 2023 Proxy Statement under the captions "Compensation Discussion and Analysis", "Compensation and Management Development Committee Report", "2022 Executive Compensation" and "2022 Director Compensation" and is incorporated herein by this reference, provided that the Compensation and Management Development Committee Report shall not be deemed to be "filed" with this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item will be contained in the 2023 Proxy Statement under the captions "Beneficial Security Ownership" and "Equity Compensation Plan Information" and is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information required by this Item will be contained in the 2023 Proxy Statement under the captions "Certain Relationships and Related Transactions" and "Board of Directors Information" and is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this Item will be contained in the 2023 Proxy Statement under the captions "Audit and Non-Audit Fees" and "Audit Committee Preapproval Policies" and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements

Consolidated Balance Sheets at December 31, 2022 and 2021	38
Consolidated Statements of Operations for the years ended December 31, 2022, 2021, and 2020	39
Consolidated Statements of Comprehensive Income for the years ended December 31, 2022, 2021, and 2020	40
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2022, 2021, and 2020	41
Consolidated Statements of Cash Flows for the years ended December 31, 2022, 2021, and 2020	42
Notes to Consolidated Financial Statements	43
Report of Independent Registered Public Accounting Firm (PCAOB ID: 42)	67

(2) Financial Statement Schedules

All schedules are omitted because the required information is not present, is not present in amounts sufficient to require submission of the schedule, or because the required information is included in the financial statements or notes thereto.

(3) Exhibits

The following exhibits are filed with this Annual Report on Form 10-K or are incorporated herein by reference:

Exhibit Number and Description

- | | |
|-----|---|
| (3) | <ul style="list-style-type: none">(a) Restated Articles of Incorporation, of PulteGroup, Inc. (Incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K, filed with the SEC on August 18, 2009).(b) Certificate of Amendment to the Articles of Incorporation, dated March 18, 2010 (Incorporated by reference to Exhibit 3(b) of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010).(c) Certificate of Amendment to the Articles of Incorporation, dated May 21, 2010 (Incorporated by reference to Exhibit 3(c) of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010).(d) Amended and Restated By-laws of PulteGroup, Inc. (Incorporated by reference to Exhibit 3.2 of our Current Report on Form 8-K, filed with the SEC on May 6, 2022).(e) Certificate of Designation of Series A Junior Participating Preferred Shares, dated August 6, 2009 (Incorporated by reference to Exhibit 3(b) of our Registration Statement on Form 8-A, filed with the SEC on August 18, 2009). |
| (4) | <ul style="list-style-type: none">(a) Any instrument with respect to long-term debt, where the securities authorized thereunder do not exceed 10% of the total assets of PulteGroup, Inc. and its subsidiaries, has not been filed. The Company agrees to furnish a copy of such instruments to the SEC upon request.(b) Amended and Restated Section 382 Rights Agreement, dated as of March 18, 2010, between PulteGroup, Inc. and Computershare Trust Company, N.A., as rights agent, which includes the Form of Rights Certificate as Exhibit B thereto (Incorporated by reference to Exhibit 4 of PulteGroup, Inc.'s Registration Statement on Form 8-A/A, filed with the SEC on March 23, 2010).(c) First Amendment to Amended and Restated Section 382 Rights Agreement, dated as of March 14, 2013, between PulteGroup, Inc. and Computershare Trust Company, N.A., as rights agent (Incorporated by reference to Exhibit 4.1 of PulteGroup, Inc.'s Current Report on Form 8-K, filed with the SEC on March 15, 2013). |

- (d) [Second Amendment to Amended and Restated Section 382 Rights Agreement, dated as of March 10, 2016, between PulteGroup, Inc. and Computershare Trust Company, N.A., as rights agent \(Incorporated by reference to Exhibit 4.1 of PulteGroup, Inc.'s Current Report on Form 8-K, filed with the SEC on March 10, 2016\).](#)
- (e) [Third Amendment to Amended and Restated Section 382 Rights Agreement, dated as of March 7, 2019, between PulteGroup, Inc. and Computershare Trust Company, N.A., as rights agent \(Incorporated by reference to Exhibit 4.1 of PulteGroup, Inc.'s Current Report on Form 8-K, filed with the SEC on March 7, 2019\).](#)
- (f) [Fourth Amendment to Amended and Restated Section 382 Rights Agreement, dated as of May 8, 2020, between PulteGroup, Inc. and Computershare Trust Company, N.A., as rights agent \(Incorporated by reference to Exhibit 4.1 of PulteGroup, Inc.'s Current Report on Form 8-K, filed with the SEC on May 11, 2020\).](#)
- (g) [Fifth Amendment to Amended and Restated Section 382 Rights Agreement, dated as of March 10, 2022, between PulteGroup, Inc. and Computershare Trust Company, N.A., as rights agent \(Incorporated by reference to Exhibit 4.1 of PulteGroup, Inc.'s Current Report on Form 8-K, filed with the SEC on March 11, 2022\).](#)
- (h) [Description of the Registrant's Securities \(Filed herewith\)](#)
- (10) (a) [PulteGroup, Inc. 2019 Senior Management Incentive Plan \(Incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed with the SEC on February 8, 2019\)*](#)
- (b) [PulteGroup, Inc. Long-Term Incentive Program \(Incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K, filed with the SEC on May 20, 2008\)*](#)
- (c) [PulteGroup, Inc. 2013 Stock Incentive Plan \(Incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed with the SEC on May 13, 2013\)*](#)
- (d) [PulteGroup, Inc. 2022 Stock Incentive Plan \(Incorporated by reference to Appendix III to the Registrant's Definitive Proxy Statement on Schedule 14A, filed with the Commission on March 22, 2022\)*](#)
- (e) [Amendment Number One to the PulteGroup, Inc. 2013 Stock Incentive Plan dated February 10, 2017 \(Incorporated by reference to Exhibit 10 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017\)*](#)
- (f) [Amendment Number Two to the PulteGroup, Inc. 2013 Stock Incentive Plan dated December 3, 2020 \(Incorporated by reference to Exhibit 10\(k\) of our Annual Report on Form 10-K for the year ended December 31, 2020\)*](#)
- (g) [Form of Restricted Stock Unit Award Agreement \(as Amended\) under PulteGroup, Inc. 2013 Stock Incentive Plan \(Incorporated by reference to Exhibit 10\(k\) of our Annual Report on Form 10-K for the year ended December 31, 2017\)*](#)
- (h) [PulteGroup, Inc. Long Term Compensation Deferral Plan \(As Amended and Restated Effective January 1, 2004\) \(Incorporated by reference to Exhibit 10\(a\) of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006\)*](#)
- (i) [PulteGroup, Inc. Deferred Compensation Plan For Non-Employee Directors, as amended and restated effective as of December 31, 2021 \(Incorporated by reference to Exhibit 10\(i\) of our Annual Report on Form 10-K for the year ended December 31, 2021\)*](#)
- (j) [PulteGroup, Inc. Executive Severance Policy \(Incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed with the SEC on February 12, 2013\)*](#)
- (k) [PulteGroup, Inc. Amended Retirement Policy \(Effective November 30, 2017\) \(Incorporated by reference to Exhibit 10\(u\) of our Annual Report on Form 10-K for the year ended December 31, 2017\)*](#)
- (l) [Third Amended and Restated Credit Agreement dated as of June 14, 2022 among PulteGroup, Inc., as Borrower, Bank of America, N.A., as Administrative Agent, and the other Lenders party thereto \(Incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K, filed with the SEC on June 16, 2022\).](#)
- (m) [Fourth Amended and Restated Master Repurchase Agreement, dated as of July 28, 2022, among Comerica Bank, as Agent, Lead Arranger and a Buyer, the other Buyers party thereto and Pulte Mortgage LLC, as Seller \(incorporated by reference to Exhibit 10.1 of PulteGroup, Inc.'s Current Report on Form 8-K, filed with the SEC on July 29, 2022\).](#)

- (n) [Release, Non-Competition, Non-Solicitation and Confidentiality Agreement by and between PulteGroup, Inc. and Stephen Schlageter, dated as of May 8, 2020 \(Incorporated by reference to Exhibit 10.1 of PulteGroup Inc.'s Current Report on Form 8-K, filed with the SEC on May 11, 2020\)*](#)

(21) [Subsidiaries of the Registrant \(Filed herewith\)](#)

(22) [List of Guarantor Subsidiaries \(Filed herewith\)](#)

(23) [Consent of Independent Registered Public Accounting Firm \(Filed herewith\)](#)

(24) [Power of Attorney \(Filed herewith\)](#)

(31) (a) [Rule 13a-14\(a\) Certification by Ryan R. Marshall, President and Chief Executive Officer \(Filed herewith\)](#)

(b) [Rule 13a-14\(a\) Certification by Robert T. O'Shaughnessy, Executive Vice President and Chief Financial Officer \(Filed herewith\)](#)

(32) [Certification Pursuant to 18 United States Code § 1350 and Rule 13a-14\(b\) of the Securities Exchange Act of 1934 \(Furnished herewith\)](#)

101.INS Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document.

101.SCH Inline XBRL Taxonomy Extension Schema Document

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Indicates a management contract or compensatory plan or arrangement

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PULTEGROUP, INC.
(Registrant)

February 6, 2023

By: /s/ Robert T. O'Shaughnessy
Robert T. O'Shaughnessy
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

February 6, 2023

<u>/s/ Ryan R. Marshall</u> Ryan R. Marshall President and Chief Executive Officer (Principal Executive Officer) and Member of Board of Directors	<u>/s/ Robert T. O'Shaughnessy</u> Robert T. O'Shaughnessy Executive Vice President and Chief Financial Officer (Principal Financial Officer)	<u>/s/ Brien P. O'Meara</u> Brien P. O'Meara Vice President and Controller (Principal Accounting Officer)
Brian P. Anderson	Member of Board of Directors }	
Bryce Blair	Member of Board of Directors }	
Thomas J. Folliard	Non-Executive Chairman of Board of Directors }	
Cheryl W. Grisé	Member of Board of Directors }	<u>/s/ Robert T. O'Shaughnessy</u> Robert T. O'Shaughnessy
André J. Hawaux	Member of Board of Directors }	Executive Vice President and Chief Financial Officer
J. Phillip Holloman	Member of Board of Directors }	
John R. Peshkin	Member of Board of Directors }	
Scott F. Powers	Member of Board of Directors }	
Lila Snyder	Member of Board of Directors }	

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

PulteGroup, Inc., a Michigan corporation (the “Company”), has two classes of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): Common Shares, \$0.01 par value per share (“Common Shares”) and Series A Junior Participating Preferred Share Purchase Rights (the “Preferred Rights”). The Common Shares are listed on The New York Stock Exchange under the ticker symbol “PHM”. Computershare Trust Company, N.A. is the transfer agent and registrar for the Common Shares. Prior to the distribution date (as such term is defined below), the Preferred Rights are associated with the Common Shares, are evidenced by Common Share certificates and are transferable with and only with the underlying Common Shares.

The following is a description of the rights of our Common Shares and Preferred Rights and related provisions of the Company’s Restated Articles of Incorporation (the “Articles”), Amended and Restated By-laws (the “By-laws”), applicable Michigan law, Certificate of Designation of Series A Junior Participating Preferred Shares (“Certificate of Designation”) and that certain Amended and Restated Section 382 Rights Agreement (as amended as of March 14, 2013, March 10, 2016, March 7, 2019, May 8, 2020, and March 10, 2022, the “Rights Plan”) by and between the Company and Computershare Trust Company, N.A., as rights agent. This description is qualified in its entirety by, and should be read in conjunction with, the Articles, the By-laws, applicable Michigan law, the Certificate of Designation and the Rights Plan.

DESCRIPTION OF COMMON SHARES

Authorized Capital Stock

The Company’s authorized capital stock consists of 500,000,000 Common Shares and 25,000,000 Preferred Shares, \$0.01 par value (the “Preferred Shares”). As of December 31, 2022, 225,840,443 Common Shares were issued and outstanding and no Preferred Shares were issued or outstanding.

Fully Paid and Nonassessable

All of the outstanding Common Shares are fully paid and nonassessable and are not subject to further calls or assessments by us.

Voting Rights

The holders of Common Shares are entitled to one vote per share on all matters to be voted on by such holders. Holders of Common Shares are not entitled to cumulative voting rights. Other than as provided in the Articles or pursuant to applicable law and subject to the voting rights of any holders of Preferred shares, if an action is to be taken by vote of the shareholders, it shall be authorized by a majority of the votes cast by the holders of Common Shares entitled to vote on the action in all matters other than the election of directors for which the number of nominees exceeds the number of directors to be elected.

Dividends

The holders of Common Shares are entitled to receive such dividends, if any, as may be declared from time to time by the Company's board of directors (the "Board") in its discretion from funds legally available therefor, subject to the rights of any holders of our Preferred Shares to receive such dividends.

Right to Receive Liquidation Distributions

Upon liquidation, dissolution or winding-up, the holders of Common Shares are entitled to share ratably in any assets remaining available for distribution after the satisfaction in full of the prior rights of creditors, including holders of our indebtedness, and the aggregate liquidation preference of any Preferred Shares then outstanding.

No Preemptive or Similar Rights

Our Common Shares have no preemptive or other subscription rights, and there are no conversion rights or redemption or sinking fund provisions with respect to such Common Shares.

Preferred Shares

Our Board has authority to divide the 25,000,000 authorized Preferred Shares into series and to fix the rights and preferences of any series so established. Variations between different series may be created by the Board with respect to such matters as voting rights, rate of dividend, priority of payment, rights of accumulation, redemption or signing fund terms, preferences upon liquidation or dissolution, conversion rights and any other preferences or rights.

If we offer Preferred Shares in the future, the Board will determine the terms of such shares, including the following, where applicable:

- the designation of the shares and the number of shares that constitute the series;
 - the dividend rate (or the method of calculating dividends), if any, on the shares of the series and the priority as to payment of dividends with respect to other classes or series of our shares of capital stock;
 - whether dividends will be cumulative or non-cumulative and, if cumulative, the date from which dividends on the Preferred Shares will accumulate;
 - the dividend periods (or the method of calculating the dividend periods);
 - whether and the extent to which such Preferred Shares shall be entitled to participate in dividends with shares of any other series or class of stock;
 - the voting rights of the Preferred Shares, if any;
 - the liquidation preference and the priority as to payment of the liquidation preference with respect to other classes or series of our capital stock and any other rights of the shares of the class or series upon our liquidation, dissolution or winding-up;
-

- whether or not the shares of the series will be convertible into or exchangeable for securities and, if so, the security into which they are convertible or exchangeable and the terms and conditions of conversion or exchange, including the conversion or exchange price or the manner of determining it;
- whether or not and on what terms the shares of the series will be subject to redemption or repurchase at our option;
- whether the Preferred Shares of the series will be listed on a national securities exchange or quoted on an automated quotation system;
- federal income tax considerations; and
- the other material terms, rights and privileges and any qualifications, limitations or restrictions of the rights or privileges of the series.

DESCRIPTION OF PREFERRED RIGHTS

Each Preferred Right entitles its holder, under the circumstances described below, to purchase from us one one-thousandth of a Series A Preferred Share (as defined below) at a purchase price of \$50 per right, subject to adjustment.

Series A Preferred Shares

Of our 25,000,000 authorized Preferred Shares, our Board has designated 500,000 shares as “Series A Junior Participating Preferred Shares” (the “Series A Preferred Shares”).

Ranking

The Series A Preferred Shares will rank junior to all other series of our Preferred Shares as to payment of dividends and the distribution of assets, whether or not upon our dissolution, liquidation or winding up, unless the terms of any such series provides otherwise.

Dividends

Subject to the rights of any senior-ranking shares, commencing upon the first quarterly dividend payment date after the first issuance of shares of Series A Preferred Shares, holders of our Series A Preferred Shares are entitled to receive quarterly dividends in an amount per share equal to the greater of (i) \$1.00 per share or (ii) subject to certain adjustment provisions, 1000 times the aggregate per share amount of all cash dividends plus 1000 times the aggregate per share amount of all non-cash dividends or other distributions (other than a dividend payable in Common Shares or a subdivision of outstanding Common Shares (by reclassification or otherwise) (collectively, “common share adjustments”)) declared on Common Shares since the immediately preceding quarterly dividend payment date or, with respect to the first quarterly dividend payment date, since the first issuance of any shares of Series A Preferred Shares, all subject to adjustment in the event of a declaration of a common-share-dividend on our Common Shares or a subdivision or combination of our outstanding shares.

Dividends shall begin to accrue and be cumulative on outstanding Series A Preferred Shares from the quarterly dividend payment date immediately following the date of issue of such Series A Preferred Shares, unless such shares are issued prior to the record date for the first quarterly dividend payment date, in which case dividends on such shares shall begin to accrue from the date such shares are issued, or unless such shares are issued on a quarterly dividend payment date or a date after the record date for a quarterly dividend and before such quarterly dividend payment date, in either of which events such dividends will begin to accrue and be cumulative from such quarterly dividend payment date. Accrued but unpaid dividends on the Series A Preferred Shares will not bear interest.

Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Shares are in arrears, until all such arrears, whether or not declared, have been paid in full, we may not:

- declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire any Common Shares or other shares ranking junior to the Series A Preferred Shares;
- declare or pay dividends on or make any other distributions on any shares ranking equally with the Series A Preferred Shares, except dividends paid ratably on the Series A Preferred Shares and all such equal-ranking shares on which dividends are payable or in arrears;
- redeem or purchase or otherwise acquire any shares ranking equally with the Series A Preferred Shares, except such redemption, purchase or acquisition is done in exchange for shares of our capital stock ranking junior to the Series A Preferred Shares; or
- purchase or otherwise acquire any Series A Preferred Shares or any shares ranking equally with the Series A Preferred Shares, except in accordance with a purchase offer made to all holders of such shares upon such terms as our Board determines in good faith will result in fair and equitable treatment among such shares.

Voting

Holders of Series A Preferred Shares are entitled to 1000 votes per share held (subject to adjustment for common share adjustments). Except as otherwise provided by law or the Certificate of Designation, holders of Series A Preferred Shares will be entitled to vote collectively as a single class with holders of Common Shares on all matters submitted to a vote of our shareholders. In addition, at any time dividends on any Series A Preferred Shares are in arrears in an amount equal to six quarterly dividends, holders of Series A Preferred Shares and holders of our other outstanding Preferred Shares, if any, with dividends in arrears in an amount equal to six quarterly dividends, voting as a class, irrespective of series, will have the right to elect two directors to our Board. Holders of Series A Preferred Shares will cease to be entitled to participate in such election when all accrued and unpaid dividends on all outstanding Series A Preferred Shares for all previous quarterly dividend periods and for the current quarterly dividend period have been declared and paid or set apart for payment.

Liquidation

In the event of our liquidation, dissolution or winding up, the holders of Series A Preferred Shares shall be entitled to receive a liquidation payment in an amount per Series A Preferred Share equal to \$1,000, plus all accrued and unpaid dividends and distributions on such share, whether or not declared, to the date of such payment (the “Series A Liquidation Preference”). After payment of the full amount of the Series A Liquidation Preference to which they

are entitled, holders of Series A Preferred Shares shall not receive any additional distributions unless holders of our Common Shares have received an amount per share (the “Common Adjustment”) equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 1,000 (as adjusted for common share adjustments). After we have paid the full amount of the Series A Liquidation Preference and the Common Adjustment to all entitled holders, holders of Series A Preferred Shares and holders of Common Shares shall share ratably in our remaining assets. If our available assets are insufficient to pay the Series A Liquidation Preference and the liquidation preference of all other series of our Preferred Shares, if any, ranking equally with the Series A Preferred Shares, then we shall distribute our remaining assets ratably to the holders of Series A Preferred Shares and such other preferred shares in proportion to their respective liquidation preferences.

Redemption

The Series A Preferred Shares are not redeemable.

Protection Against Adverse Amendments

Our Articles of Incorporation may not be amended in any manner that would materially alter or change the powers, preferences or special rights of the Series A Preferred Shares without the affirmative vote of the holders of a majority of the outstanding Series A Preferred Shares, voting separately as a class.

Rights Plan

On March 18, 2010, we entered into the Rights Plan with Computershare Trust Company, N.A., as rights agent, which amended and restated that certain Section 382 Rights Agreement, dated as of March 5, 2009, as amended as of April 7, 2009 and as of September 24, 2009 (collectively, the “Original Rights Agreement”), between the Company and Computershare Trust Company, N.A., as rights agent. Our Board had previously declared a dividend distribution of one Preferred Right for each outstanding Common Share to shareholders of record at the close of business on March 16, 2009, pursuant to the Original Rights Agreement.

Our Board adopted the Rights Plan in an effort to protect shareholder value by attempting to protect against a possible limitation on our ability to use our net operating loss carryforwards (the “NOLs”) and certain other tax benefits to reduce potential future income tax obligations. If we experience an “ownership change,” as defined in Section 382 of the Code and the regulations thereunder, our ability to fully utilize the NOLs and certain other tax benefits on an annual basis will be substantially limited, and the timing of the usage of the NOLs and such other benefits could be substantially delayed, which could therefore significantly impair the value of those assets.

The Rights Plan is intended to act as a deterrent to any person or group, together with its affiliates and associates, being or becoming the beneficial owner of 4.9% or more of our (i) Common Shares, (ii) Preferred Shares (other than Preferred Shares described in Section 1504(a)(4) of the Code), and (iii) any other interest in us that would be treated as “stock” pursuant to Treasury Regulation § 1.382-2T(f)(18) (collectively, “covered securities”).

The following general summary of the Rights Plan is qualified in its entirety by reference to the Rights Plan, which is filed with the Securities and Exchange Commission.

The Rights. Each Preferred Right entitles its holder, under the circumstances described below, to purchase from us one one-thousandth of a Series A Preferred Share at a purchase price of \$50 per Preferred Right, subject to adjustment. Our Common Shares issued while the Rights Plan is in effect will be issued with Preferred Rights attached.

Acquiring Person. Under the Rights Plan, an “acquiring person” is any person or group, who or which, together with its affiliates and associates, becomes a beneficial owner of 4.9% or more of our covered securities, other than solely as a result of (a) a reduction in the amount of our covered securities outstanding; (b) the exercise of any options, warrants, rights or similar interests (including restricted shares) granted by us to our directors, officers and employees; (c) any unilateral grant of any of our covered securities by us or (d) any issuance of our covered securities by us or any share dividend, share split or similar transaction effected by us in which all holders of our covered securities are treated equally.

A person shall be deemed to be a “beneficial owner” of, shall be deemed to have “beneficial ownership” and shall be deemed to “beneficially own” any securities which such person directly owns, or would be deemed to constructively own, pursuant to Section 382 of the Code and the regulations promulgated thereunder.

The term “acquiring person,” however, does not include:

- us, any of our subsidiaries, any employee benefit plan or other compensation arrangement of ours or of any of our subsidiaries, or any entity organized, appointed or established by us or any of our subsidiaries for or pursuant to the terms of any such plan or compensation arrangement;
- any exempted person (as defined below);
- any person or group who becomes the beneficial owner of 4.9% or more of our covered securities as a result of an exempted transaction (as defined below);
- any person whom or which our Board in good faith determines has inadvertently acquired beneficial ownership of 4.9% or more of our covered securities, so long as such person promptly enters into, and delivers to us, an irrevocable commitment to divest as promptly as practicable, and thereafter divests as promptly as practicable a sufficient number of our covered securities so that such person would no longer be a beneficial owner of 4.9% or more of our covered securities; or
- any affiliate, associate or stockholder of Centex Corporation, or the general partners, limited partners or members of such stockholders who would have been an acquiring person solely as a result of the execution, delivery or performance of the merger agreement between us and Centex or certain voting agreements relating to such merger until such time that such person acquires beneficial ownership of additional covered securities of ours.

Our Board may, in its sole discretion, exempt any person or group who would otherwise be an acquiring person from being deemed an acquiring person for purposes of the Rights Plan if it determines at any time prior to the time at which the Preferred Rights are no longer redeemable that the beneficial ownership of such person or group would not jeopardize, endanger or limit (in timing or amount) the availability of our NOLs and other tax benefits. Any such person or group is an “exempted person” under the Rights Plan. Our Board, in its sole discretion, may subsequently make a contrary determination and such person would then become an acquiring person.

An “exempted transaction” is a transaction that our Board determines, in its sole discretion, is an exempted transaction and, unlike the determination of an exempted person, such determination is irrevocable.

Separation from Common Shares. Initially, the Preferred Rights will be associated with our Common Shares and evidenced by Common Share certificates, which will contain a notation incorporating the Rights Plan by reference,

and will be transferable with and only with the underlying Common Shares. Subject to certain exceptions, the Preferred Rights become exercisable and trade separately from our Common Shares only upon the “distribution date,” which occurs upon the earlier of:

- 10 days following a public announcement that a person or group of persons has become an acquiring person or such earlier date as a majority of our Board becomes aware of the existence of an acquiring person (the “share acquisition date”) (unless, prior to the expiration of our right to redeem the Preferred Rights, such person or group is determined by our Board to be an “exempted person”; in which case the share acquisition date will be deemed not to have occurred); or
- 10 business days (or later date if determined by our Board prior to such time as any person or group becomes an acquiring person) following the commencement of a tender offer or exchange offer which, if consummated, would result in a person or group becoming an acquiring person.

Until the distribution date, the surrender for transfer of any of outstanding Common Shares will also constitute the transfer of the Preferred Rights associated with those shares.

As soon as practicable after the distribution date, separate certificates or book-entry statements will be mailed to holders of record of Common Shares as of the close of business on the distribution date. From and after the distribution date, the separate Preferred Rights certificates or book-entry statements alone will represent the Preferred Rights. Except as otherwise provided in the Rights Plan, only Common Shares issued prior to the distribution date will be issued with Preferred Rights.

Expiration. The Preferred Rights are not exercisable until the distribution date and, unless earlier redeemed or exchanged by us as described below, will expire upon the earliest of:

- the close of business on June 1, 2025 (the “Expiration Date”);
- the time at which the Preferred Rights are redeemed;
- the time at which the Preferred Rights are exchanged;
- the close of business on the effective date of the repeal of Section 382 or any successor statute if our Board determines that the Rights Plan is no longer necessary or desirable for the preservation of certain tax benefits; and
- the close of business on the first day of our taxable year to which our Board determines that certain tax benefits may not be carried forward.

Effects of Triggering Event. If a person or group becomes an acquiring person (a “flip-in event”), each holder of a Preferred Right (other than any acquiring person and certain transferees of an acquiring person, whose Preferred Rights automatically become null and void) will have the right to receive, upon exercise, Common Shares having a value equal to two times the exercise price of the Preferred Right. If an insufficient number of Common Shares are available for issuance, then our Board is required to substitute cash, reduction in the exercise price, property or other securities of ours for our Common Shares. The Preferred Rights may not be exercised following a flip-in event while we have the ability to cause the Preferred Rights to be redeemed, as described below.

For example, at an exercise price of \$50 per Preferred Right, each Preferred Right not owned by an acquiring person (or by certain transferees thereof) following a flip-in event would entitle its holder to purchase \$100 worth of our Common Shares (or other consideration, as noted above) for \$50. Assuming that our Common Shares had a per share value of \$15 at that time, the holder of each valid Preferred Right would be entitled to purchase approximately 6.7 Common Shares for \$50.

Exchange. At any time after there is an acquiring person and prior to the acquisition by the acquiring person of 50% or more of our outstanding Common Shares, our Board may exchange the Preferred Rights (other than Preferred Rights owned by the acquiring person and certain transferees thereof which will have become void), in whole or in part, at an exchange ratio of one Common Share, or, at its option, one one-thousandth of a Series A Preferred Share (or of a share of a class or series of our Preferred Shares having equivalent rights, preferences and privileges (“equivalent preferred shares”)), per Preferred Right (subject to adjustment).

Adjustments. The exercise price payable, and the number of Preferred Shares or other securities or property issuable, upon exercise of the Preferred Rights are subject to adjustment from time to time to prevent dilution:

With certain exceptions, no adjustment in the exercise price will be required until cumulative adjustments amount to at least 1% of the exercise price. No fractional Series A Preferred Shares will be issued, and, in lieu thereof, an adjustment in cash will be made based on the market price of the Series A Preferred Shares on the last trading day prior to the date of exercise.

Redemption. In general, we may redeem the Preferred Rights in whole, but not in part, at a price of \$0.001 per Preferred Right (subject to adjustment and payable in cash, Common Shares or other consideration deemed appropriate by our Board) at any time until the earlier of (i) ten days following the share acquisition date and (ii) the Expiration Date. Immediately upon the action of our Board authorizing any redemption, the Preferred Rights will terminate, and the only right of the holders of Preferred Rights will be to receive the redemption price.

Shareholder Rights; Tax Effects. Until a Preferred Right is exercised, its holder will have no rights as our shareholder, including, without limitation, the right to vote, the right to receive dividends or liquidation rights. Similarly, the Preferred Rights are not convertible and no preemptive rights or sinking fund provisions apply to the Preferred Rights. While the distribution of the Preferred Rights will not result in the recognition of taxable income by us or our shareholders, shareholders may, depending upon the circumstances, recognize taxable income after a flip-in event.

Amendment. The terms of the Preferred Rights may be amended by our Board without the consent of the holders of the Preferred Rights, including, without limitation, to extend the Expiration Date of the Rights Plan and to increase or decrease the purchase price. Once there is an acquiring person, however, no amendment can adversely affect the interests of the holders of the Preferred Rights.

Transfer Restrictions

Our By-laws contain certain restrictions on the direct or indirect transfer of (i) Common Shares, (ii) Preferred Shares (other than Preferred Shares described in Section 1504(a)(4) of the Internal Revenue Code of 1986, as amended (the “Code”)), (iii) warrants, rights or options (including options within the meaning of Sections 1.382-2T(h)(4)(v) and 1.382-4 of the regulations promulgated under the Code by the United States Department of the Treasury (“Treasury Regulations”)) to purchase our securities and (iv) any interest in us that would be treated as “stock” pursuant to Treasury Regulation § 1.382-2T(f)(18). The restrictions are designed to prohibit any such transfers that could limit

or impair our ability to use our net operating loss carryforwards, capital loss forwards, general business credit carryforwards, alternative minimum tax credit forwards, foreign tax credit carryforwards, and similar tax benefits (collectively, the “tax benefits”).

Specifically, subject to certain limited exceptions, the transfer restrictions prohibit any such transfers (including the creation or grant of an option) to the extent that, as a result of such transfer (or any series of transfers of which such transfer is a part), either (i) any person or group of persons would become the owner of 4.9% or more of our outstanding Common Shares, whether directly or indirectly, or (ii) the percentage ownership of an existing 4.9%-or-more holder of our outstanding Common Shares would increase. For purposes of the transfer restrictions, a person’s ownership of Common Shares is regarded as including shares such person would be deemed to constructively own or which otherwise would be aggregated with shares owned by such person under Section 382 of the Code, and the Treasury Regulations thereunder.

The transfer restrictions will remain in effect until (i) the repeal of Section 382 of the Code or any successor law if our Board determines that the transfer restrictions are no longer necessary for the preservation of the tax benefits, (ii) the beginning of a taxable year of ours to which Board determines that no tax benefits may be carried forward or (iii) such date as our Board shall fix as the expiration date of the transfer restrictions.

The transferee of any such prohibited transfer will not be recognized as our shareholder for any purpose whatsoever in respect of the shares which are the subject of the prohibited transfer (such shares, the “excess shares”). Until the excess shares are acquired by another person in a transfer that is not prohibited, the purported transferee will not be entitled with respect to such excess shares to any rights as our shareholder, including the right to vote such excess shares and to receive dividends or distributions, whether liquidating or otherwise, in respect of such excess shares, if any, and the excess shares will be deemed to remain with the transferor unless and until the excess shares are transferred in a manner permitted under our By-laws.

As a condition to the registration of the transfer of any shares, any person who is a beneficial, legal or record holder of any shares, and any proposed transferee and any person controlling, controlled by or under common control with the proposed transferee, shall provide such information as we may request from time to time to determine compliance with these transfer restrictions or the status of our tax benefits.

Depository Shares

We may elect to offer fractional Preferred Shares rather than full shares. If so, we will issue “depository receipts” for these “depository shares.” Each depository share will represent a fraction of a share of a particular series of Preferred Shares. If we offer depository shares pursuant to these provisions in the future, the applicable prospectus supplement will describe the terms of the depository shares and the underlying Preferred Shares to which the depository shares relate.

Voting Rights

Our Articles require, in addition to any vote required by law, the affirmative vote of the holders of at least 69.3% of the shares voting at a meeting of shareholders in connection with (a) any merger or consolidation of the Company or any subsidiary with any “Interested Shareholder,” as defined therein, or any corporation which is, or after the merger or consolidation would be, an “Affiliate,” as defined therein, of an Interested Shareholder that was an Interested Shareholder prior to the transaction; (b) certain transfers to any Interested Shareholder or Affiliate of an Interested Shareholder, other than the Company or any of our subsidiaries, of any of our assets or any subsidiary which have an aggregate book value of 10% or more of consolidated net worth; (c) certain transfers by us or any subsidiary of

“Equity Securities,” as defined therein, of the Company or any subsidiary which have an aggregate market value of 5% or more of the total market value of our outstanding shares to any Interested Shareholder or Affiliate of an Interested Shareholder, other than us or our subsidiaries (subject to certain exceptions); (d) the adoption of any plan or proposal for our liquidation or dissolution proposed by or on behalf of an Interested Shareholder or any Affiliate of an Interested Shareholder; (e) any reclassification of securities or recapitalization of the Company, or any merger, consolidation or share exchange by us with any of our subsidiaries which has the effect of increasing the proportionate amount of the outstanding shares of any class of our Equity Securities or Equity Securities of any subsidiary which is directly or indirectly owned by an Interested Shareholder or any Affiliate of an Interested Shareholder (each of the Transactions referred to in clauses (a) through (e), a “Business Combination”); or (f) any agreement, contract or arrangement providing for one or more of the foregoing. An “Interested Shareholder” generally includes any beneficial owner of 10% or more of the voting power of the Company or any Affiliate of ours that at any time within the two year period prior to the date in question was the beneficial owner of 10% or more of the voting power of the Company.

The foregoing supermajority vote is not required if (i) the Board approves such Business Combination and either the Interested Shareholder has been an Interested Shareholder continuously for at least two years prior to the date of the Board approval or such proposed transaction was approved by the Board prior to the time the Interested Shareholder became an Interested Shareholder or (ii) a majority of the outstanding stock of such other corporation is owned by us or our subsidiaries.

The foregoing supermajority provisions may only be amended by the affirmative vote of 69.3% of the shares voting on the proposed amendment at a meeting of shareholders, in addition to any vote otherwise required by law.

Certain Anti-Takeover Effects and Provisions of our Articles and By-laws

Number of Directors; Filing Vacancies; Removal

Our Charter provides that the number of directors will be between three and fifteen directors and our Board will fix the exact number of directors to comprise our Board. A director may only be removed by vote of the holders of a majority of the shares entitled to vote at an election of directors. Additionally, any vacancy on the Board may only be filled by a majority of the remaining directors then in office, whether or not less than a quorum, or by a sole remaining director. These provisions have the effect of making it difficult for a potential acquirer to gain control of our Board.

Special Meetings

Our By-laws provide that special meetings may be called only by the Board, our President or our Secretary, or by such persons upon a request in writing signed by a majority of the Board or by the holders of not less than twenty percent of the capital stock of the Company issued and outstanding and entitled to vote thereat. This provision may delay consideration of a shareholder proposal until the Company’s next annual meeting unless a special meeting is called pursuant to our By-laws.

Proxy Access and Advance Notice of Shareholder Nominations

Our By-laws have proxy access and advance notice procedures for shareholders to make nominations of candidates for election as directors. No business other than that stated in the notice for such meeting shall be transacted at any meeting without the unanimous consent of all the shareholder entitled to vote thereat. Our By-laws govern

shareholder nominations of candidates for election as directors except with respect to the rights of holders of our Preferred Shares.

Under our By-laws, any shareholder entitled to vote in the election of directors may nominate one or more persons for election as directors at a meeting if written notice or notice by electronic transmission of such shareholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Corporate Secretary of the Company not later than (90) days nor more than one hundred twenty (120) days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the annual meeting is convened more than thirty (30) days before or more than sixty (60) days after such anniversary date, or if no annual meeting was held in the preceding year, notice by the shareholder to be timely must be so received no more than one hundred twenty (120) days prior to such annual meeting nor less than the later of (i) ninety (90) days prior to such annual meeting and (ii) ten (10) days after the earlier of (A) the day on which notice of the date of the meeting was mailed or provided by the Corporation or (B) the day on which public disclosure of the date of the meeting was made. Each such notice must be accompanied by a written consent of each proposed nominee to being named in the proxy statement as a nominee and to serving as a director if elected, together with a written representation that such person currently intends to serve as a director for the term for which he or she is standing for election and must set forth:

(i) as to each person whom the shareholder proposes to nominate for election as a director: (1) the name, age, business address and residence address of the person; (2) the principal occupation or employment of the person; (3) the class and number of common shares of the Company which are owned beneficially or of record by such person; and (4) any other information relating to the person that would be required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, pursuant to Section 14 of the Exchange Act; and

(ii) as to the shareholder giving the notice: (1) the name and address, as they appear on the Company's books, of such shareholder and the name and address of the beneficial owner, if any, on whose behalf the nomination is made; (2) the class and number of Common Shares which are owned beneficially or of record by such shareholder or such beneficial owner on the date of such shareholder's notice; (3) whether and the extent to which any hedging or other similar transaction, agreement, arrangement or understanding has been entered into by or on behalf of such shareholder or beneficial owner with respect to any Common Share; (4) a description of all arrangements or understandings between such shareholder or such beneficial owner and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such shareholder; (5) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to nominate the persons named in its notice; and (6) any other information relating to such shareholder or such beneficial owner that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act.

In addition and pursuant our By-laws, a shareholder, or group of up to 20 shareholders, that has owned continuously for at least three years Common Shares representing an aggregate of at least 3% of the Company's outstanding Common Shares, may nominate and include in the Company's proxy materials director nominees constituting up to 20% of the Company's Board of Directors, provided that the shareholder(s) and nominee(s) satisfy the requirements in the By-laws. A notice of such nomination must be provided to the Secretary of the Company not less than one hundred twenty nor more than one hundred fifty days in advance of the date which is the anniversary of the date the Company's proxy statement was released to security holders in connection with the previous year's annual meeting, except where information or documents are required to be provided after the date the notice is first submitted, as set

forth in the By-laws, or, if the date of the applicable annual meeting has been changed by more than thirty days from the date contemplated at the time of the previous year's proxy statement, not less than ninety days before the date of the applicable annual meeting, or, if later, the tenth day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting, whichever occurs first, and in no event shall the adjournment or postponement of an annual meeting, or the announcement thereof, commence a new time period (or extend any time period) for the giving of the notice. In addition, the Company may solicit against a shareholder nominee included in the proxy statement and, in certain circumstances, may omit a nominee from its proxy statement.

The nominating notice must provide certain information specified in the By-laws, including, without limitation:

- documentary evidence verifying and certifying that, the nominating shareholder owns, and has continuously owned for the preceding three years, the minimum number of shares required, and the nominating shareholder's agreement to provide documentary evidence verifying and certifying the nominating shareholder's continuous ownership of the minimum number of shares through the record date;
- an undertaking to provide immediate notice if the nominating shareholder ceases to own the minimum number of shares prior to the date of the annual meeting;
- a copy of the Schedule 14N (or any successor form) relating to the shareholder nominee, completed and filed with the Securities and Exchange Commission by the nominating shareholder as applicable, in accordance with Securities and Exchange Commission rules;
- the written consent of each shareholder nominee to being named in the Company's proxy statement, form of proxy and ballot as a nominee and to serving as a director if elected;
- a written notice of the nomination of such shareholder nominee that includes additional information, agreements, representations and warranties by the nominating shareholder or each member of a nominating group;
- an executed agreement pursuant to which the nominating shareholder or each member of a nominating group agrees to a number of specified covenants and other provisions;
- an executed questionnaire provided by the Company's Secretary upon request, which must be submitted within ten days of the nominating shareholder's first submission of the nomination notice; and
- an executed agreement, which must be submitted within ten days of the nominating shareholder's first submission of the nomination notice, by the shareholder nominee with respect to certain representations, warranties and covenants.

Certain Provisions of the Michigan Business Corporation Act

Chapter 7A of the Michigan Business Corporation Act ("MBCA") may affect attempts to acquire control of the Company. Pursuant to our Articles of Incorporation, we have expressly elected not to be subject to the provisions of Chapter 7A of the MBCA; however, the Board may terminate this election in whole or in part by action of the majority of directors then in office. Chapter 7A applies to "Business Combinations," defined to include, among

other transactions, certain mergers, substantial sales of assets or securities and recapitalizations between covered Michigan business corporations or their subsidiaries and an “Interested Shareholder” (generally a beneficial owner of 10% or more of the voting power of the Company’s outstanding voting stock). In general, Chapter 7A requires, for any Business Combination, an advisory statement from the Board, the approval of holders of at least 90% of each class of the shares entitled to vote and the approval of holders of at least two-thirds of such voting shares not held by the Interested Shareholder, its affiliates and associates. These requirements do not apply, however, where the Interested Shareholder satisfies certain “fair price,” form of consideration and other requirements and at least five years have elapsed after the person involved became an Interested Shareholder. Our Board has the power to elect to be subject to Chapter 7A as to specifically identified or unidentified Interested Shareholders.

SUBSIDIARIES OF PULTEGROUP, INC.
As of December 31, 2022

Company Name	Jurisdiction of Formation
Centex LLC	Nevada
Centex Construction Of New Mexico, LLC	Delaware
Centex Development Company, L.P.	Delaware
Centex Homes	Nevada
Centex Homes, LLC	Delaware
Centex International II, LLC	Nevada
Centex Real Estate Company, LLC (<i>f/k/a Centex Real Estate Corporation</i>)	Nevada
Contractors Insurance Company of North America, Inc., a Risk Retention Group	Hawaii
Dean Realty Company	Michigan
Del Webb California Corp.	Arizona
Del Webb Communities, Inc.	Arizona
Del Webb Communities of Illinois, Inc.	Arizona
Del Webb Corporation	Delaware
Del Webb Home Construction, Inc.	Arizona
Del Webb Limited Holding Co.	Arizona
Del Webb Texas Limited Partnership	Arizona
Del Webb's Coventry Homes, Inc.	Arizona
DiVosta Building, LLC	Michigan
DiVosta Homes, L.P.	Delaware
DiVosta Homes Holdings, LLC	Delaware
DW Homebuilding Co.	Arizona
Innovative Construction Group, LLC	Florida
Nomas LLC	Nevada
North American Builders Indemnity Company	Hawaii
PH 19 Corporation	Michigan
PH 43 LLC	Michigan
PH 55 LLC	Michigan
PH1 Corporation	Michigan
PHNE Business Trust	Massachusetts
PN II, Inc.	Nevada
Potomac Yard Development LLC	Delaware
Preserve II, Inc.	Michigan
Pulte Arizona Services, Inc.	Michigan
Pulte Development Corporation	Michigan
Pulte Development New Mexico, Inc.	Michigan
Pulte Diversified Company, LLC	Michigan
Pulte Home Company, LLC	Michigan
Pulte Home Corporation of The Delaware Valley	Michigan
Pulte Homes of California, Inc.	Delaware
Pulte Homes of Indiana, LLC	Indiana
Pulte Homes of Michigan LLC	Michigan
Pulte Homes of Minnesota LLC	Minnesota
Pulte Homes of New England LLC	Michigan
Pulte Homes of New Mexico, Inc.	Michigan
Pulte Homes of New York LLC	Delaware
Pulte Homes of NJ, Limited Partnership	Michigan
Pulte Homes of Ohio LLC	Michigan
Pulte Homes of PA, Limited Partnership	Michigan
Pulte Homes of Texas, L.P.	Texas

Pulte Homes of Washington, Inc.	Michigan
Pulte Homes Tennessee Limited Partnership	Nevada
Pulte Interiors, LLC	Michigan
Pulte Mortgage LLC	Delaware
Pulte Nevada I LLC	Delaware
Pulte Payroll Corporation	Michigan
Pulte Purchasing Corporation	Michigan
Pulte Realty Holding Company, LLC	Michigan
Pulte Realty Limited Partnership	Michigan
Pulte Texas Holdings, LLC	Michigan
Pulte/BP Murrieta Hills, LLC	California
Pulte Homes Tennessee, Inc.	Michigan
RN Acquisition 2 Corp.	Nevada
Terravita Home Construction Co.	Arizona

Certain subsidiaries have been omitted from this list. Such omitted subsidiaries, when considered in the aggregate as a single subsidiary, do not constitute a significant subsidiary as defined in Rule 1-02(w) of Regulation S-X.

LIST OF GUARANTOR SUBSIDIARIES
As of December 31, 2022

The following subsidiaries of PulteGroup, Inc. (the “Company”) were, as of December 31, 2022, guarantors of the Company’s 5.500% unsecured senior notes due 2026, 5.000% unsecured senior notes due 2027, 7.875% unsecured senior notes due 2032, 6.375% unsecured senior notes due 2033, and 6.000% unsecured senior notes due 2035.

Company Name	Jurisdiction of Formation
Anthem Arizona LLC	Arizona
Centex Construction of New Mexico, LLC	Delaware
Centex Development Company, L.P.	Delaware
Centex Homes	Nevada
Centex Homes of California, LLC	Delaware
Centex Homes, LLC	Delaware
Centex International II, LLC	Nevada
Centex LLC	Nevada
Centex Real Estate Construction Company	Nevada
Centex Real Estate Company, LLC (<i>f/k/a Centex Real Estate Corporation</i>)	Nevada
Del Webb California Corp.	Arizona
Del Webb Communities, Inc.	Arizona
Del Webb Communities of Illinois, Inc.	Arizona
Del Webb Corporation	Delaware
Del Webb Home Construction, Inc.	Arizona
Del Webb Limited Holding Co.	Arizona
Del Webb Southwest Co.	Arizona
Del Webb Texas Limited Partnership	Arizona
Del Webb’s Coventry Homes Construction Co.	Arizona
Del Webb’s Coventry Homes, Inc.	Arizona
Del Webb’s Coventry Homes of Nevada, Inc.	Arizona
DiVosta Building, LLC	Michigan
DiVosta Homes Holdings, LLC	Delaware
DiVosta Homes, L.P.	Delaware
DW Homebuilding Co.	Arizona
Nomas LLC	Nevada
PH1 Corporation	Michigan
PH3 Corporation	Michigan
PH4 Corporation	Michigan
PH 19 Corporation	Michigan
PN II, Inc.	Nevada
Potomac Yard Development LLC	Delaware
Preserve II, Inc.	Michigan
Pulte Arizona Services, Inc.	Michigan
Pulte Building Systems Holding Company, LLC	Nevada
Pulte Communities NJ, Limited Partnership	Michigan
Pulte Development Corporation	Michigan
Pulte Development New Mexico, Inc.	Michigan
Pulte Home Company, LLC (<i>f/k/a Pulte Home Corporation</i>)	Michigan
Pulte Home Corporation of the Delaware Valley	Michigan
Pulte Homes of Greater Kansas City, Inc.	Michigan
Pulte Homes of Indiana, LLC	Indiana
Pulte Homes of Michigan LLC	Michigan
Pulte Homes of Minnesota LLC	Minnesota
Pulte Homes of New England LLC	Michigan

Pulte Homes of New Mexico, Inc.	Michigan
Pulte Homes of New York LLC	Delaware
Pulte Homes of NJ, Limited Partnership	Michigan
Pulte Homes of Ohio LLC	Michigan
Pulte Homes of PA, Limited Partnership	Michigan
Pulte Homes of St. Louis, LLC	Nevada
Pulte Homes of Texas, L.P.	Texas
Pulte Homes Tennessee, Inc.	Michigan
Pulte Homes Tennessee Limited Partnership	Nevada
Pulte Nevada I LLC	Delaware
Pulte Payroll Corporation	Michigan
Pulte Realty Holding Company, LLC (<i>f/k/a Pulte Realty Holdings, Inc.</i>)	Michigan
Pulte Realty Limited Partnership	Michigan
Pulte Texas Holdings LLC	Michigan
Pulte/BP Murrieta Hills, LLC	California
RN Acquisition 2 Corp.	Nevada
Terravita Home Construction Co.	Arizona

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-150961) pertaining to the PulteGroup, Inc. 401(k) Plan,
- (2) Registration Statement (Form S-8 No. 333-188986) pertaining to the PulteGroup, Inc. 2013 Stock Incentive Plan, and
- (3) Registration Statement (Form S-8 No. 333-264666) pertaining to the PulteGroup, Inc. 2022 Stock Incentive Plan

of our reports dated February 6, 2023, with respect to the consolidated financial statements of PulteGroup, Inc., and the effectiveness of internal control over financial reporting of PulteGroup, Inc., included in this Annual Report (Form 10-K) of PulteGroup, Inc. for the year ended December 31, 2022.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 6, 2023

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned hereby constitutes and appoints each of Ryan Marshall, Robert O'Shaughnessy, Todd N. Sheldon, and Brien O'Meara, signing singly, his true and lawful attorney-in-fact to:

1. Execute for and on behalf of the undersigned, in the undersigned's capacity as a director of PulteGroup, Inc. (the "Company"), the Annual Report on Form 10-K for the fiscal year ending December 31, 2022 ("Annual Report"), in accordance with the Securities Exchange Act of 1934, as amended, and the rules thereunder; and,
2. Do and perform any and all acts for and on behalf of the undersigned which may be necessary or desirable to complete and execute any such Annual Report, complete and execute any amendment or amendments thereto, and timely file such documents with the United States Securities and Exchange Commission and any stock exchange, stock market or similar authority; and,
3. Take any other action of any type whatsoever in connection with the foregoing which, in the opinion of such attorney-in-fact, may be of benefit to, and in the best interest of, or legally required by, the undersigned, it being understood that the documents executed by such attorney-in-fact on behalf of the undersigned pursuant to this Power of Attorney shall be in such form and shall contain such terms and conditions as such attorney-in-fact may approve in such attorney-in-fact's discretion.

The undersigned hereby grants to each such attorney-in-fact full power and authority to do and perform any and every act and thing whatsoever requisite, necessary, or proper to be done in the exercise of any of the rights and powers herein granted, as fully to all intents and purposes as the undersigned might or could do if personally present, with full power of substitution or revocation, hereby ratifying and confirming all that such attorney-in-fact, or such attorney-in-fact's substitute or substitutes, shall lawfully do or cause to be done by virtue of this power of attorney and the rights and powers herein granted. The undersigned acknowledges that the foregoing attorneys-in-fact, in serving in such capacity at the request of the undersigned, are not assuming, nor is the Company assuming, any of the undersigned's responsibilities to comply with any rule of the Securities Exchange Act of 1934, as amended.

This Power of Attorney shall remain in full force and effect until the undersigned is no longer required to sign the Annual Report on Form 10-K with respect to the undersigned's role as a director of the Company, unless earlier revoked by the undersigned in a signed writing delivered to the foregoing attorneys-in-fact.

IN WITNESS WHEREOF, the undersigned has caused this Power of Attorney to be executed as of this 1st day of February, 2023.

/s/ Brian P. Anderson
Brian P. Anderson

/s/ Bryce Blair
Bryce Blair

/s/ Thomas J. Folliard
Thomas J. Folliard

/s/ Cheryl W. Grisé
Cheryl W. Grisé

/s/ André J. Hawaux
André J. Hawaux

/s/ J. Phillip Holloman
J. Phillip Holloman

/s/ John R. Peshkin
John R. Peshkin

/s/ Scott F. Powers
Scott F. Powers

/s/ Lila Snyder
Lila Snyder

CHIEF EXECUTIVE OFFICER'S CERTIFICATION

I, Ryan R. Marshall, certify that:

1. I have reviewed this annual report on Form 10-K of PulteGroup, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2023

/s/ Ryan R. Marshall

Ryan R. Marshall

President and Chief Executive Officer

CHIEF FINANCIAL OFFICER'S CERTIFICATION

I, Robert T. O'Shaughnessy, certify that:

1. I have reviewed this annual report on Form 10-K of PulteGroup, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2023

/s/ Robert T. O'Shaughnessy

Robert T. O'Shaughnessy
Executive Vice President and
Chief Financial Officer

Certification
Pursuant to 18 United States Code § 1350 and
Rule 13a-14(b) of the Securities Exchange Act of 1934

In connection with the Annual Report of PulteGroup, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 6, 2023

/s/ Ryan R. Marshall

Ryan R. Marshall
President and Chief Executive Officer

/s/ Robert T. O'Shaughnessy

Robert T. O'Shaughnessy
Executive Vice President and
Chief Financial Officer