
PulteGroup®
Building On a Strong Foundation
JP Morgan Homebuilding Conference
May 14, 2018
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Forward-Looking Statements

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

Such risks, uncertainties and other factors include, among other things: interest rate changes and the availability of mortgage financing; competition within the industries in which we operate; the availability and cost of land and other raw materials used by us in our homebuilding operations; the impact of any changes to our strategy in responding to the cyclical nature of the industry, including any changes regarding our land positions and the levels of our land spend; the availability and cost of insurance covering risks associated with our businesses; shortages and the cost of labor; weather related slowdowns; slow growth initiatives and/or local building moratoria; governmental regulation directed at or affecting the housing market, the homebuilding industry or construction activities; uncertainty in the mortgage lending industry, including revisions to underwriting standards and repurchase requirements associated with the sale of mortgage loans; the interpretation of or changes to tax, labor and environmental laws, including, but not limited to the Tax Cuts and Jobs Act which could have a greater impact on our effective tax rate or the value of our deferred tax assets than we anticipate; economic changes nationally or in our local markets, including inflation, deflation, changes in consumer confidence and preferences and the state of the market for homes in general; legal or regulatory proceedings or claims; our ability to generate sufficient cash flow in order to successfully implement our capital allocation priorities; required accounting changes; terrorist acts and other acts of war; and other factors of national, regional and global scale, including those of a political, economic, business and competitive nature. See PulteGroup's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and other public filings with the Securities and Exchange Commission (the "SEC") for a further discussion of these and other risks and uncertainties applicable to our businesses. PulteGroup undertakes no duty to update any forward-looking statement, whether as a result of new information, future events or changes in PulteGroup's expectations.

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Operating Against a Proven Strategy



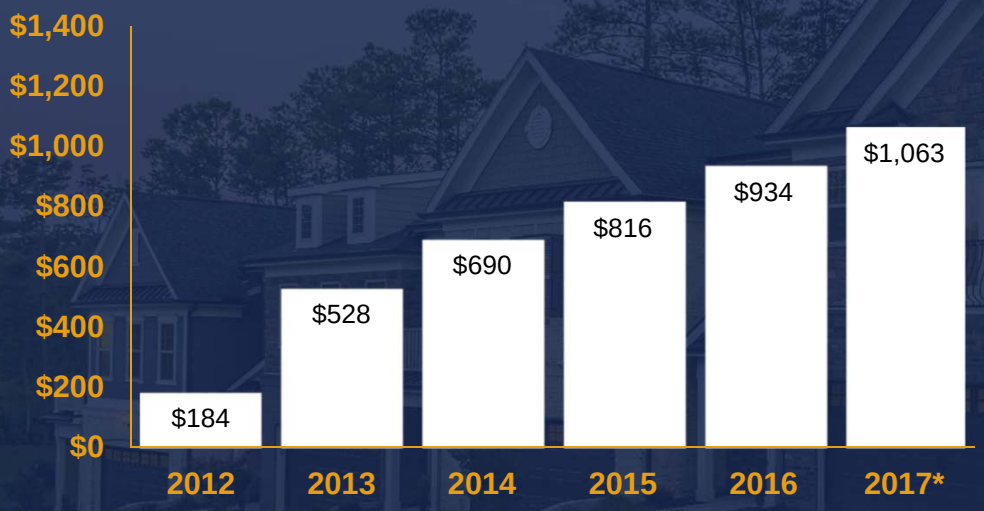
Creating Shareholder Value by Delivering Growth and High Returns

- Focus on the customer: deliver superior build quality and homebuying experience
- Invest in high-returning, shorter duration land positions
- Continue to grow revenues through business expansion and market share gains
- Maintain disciplined business practices to maximize gross and operating margins
- Improve asset efficiency to increase inventory turns and enhance cash flow
- Use cash flow to invest in the business, pay a dividend and return excess capital through share repurchase

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Strategy has Driven Dramatic Gains in Income and Profitability

Pretax Income ($ millions)



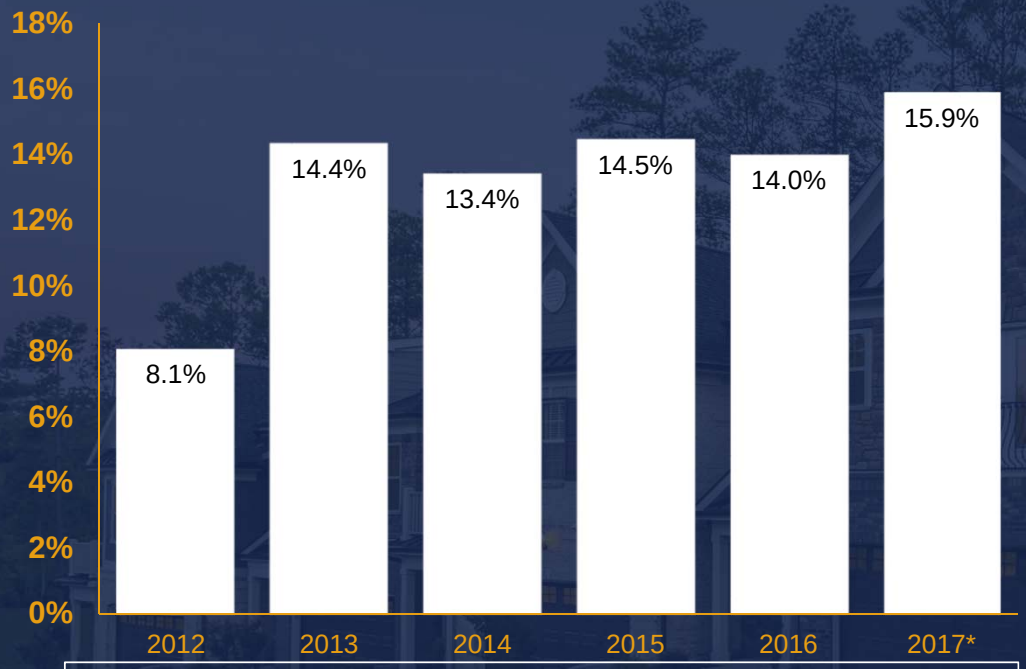
	2013	2014	2015	2016	2017
Closings	17,766	17,196	17,127	19,951	21,052
Home Sale Revenues ($ billions)	$5.4	$5.7	$5.8	$7.5	$8.3
Gross Margin	24.1%	26.7%	26.9%	25.0%	23.6% *
SG&A % of Revenues	14.1%	15.2%	13.7%	12.8%	11.5% *
Operating Margin	11.5%	13.2%	13.2%	12.2%	12.1% *
EPS	$6.72	$1.26	$1.36	$1.66 *	$2.19 *
Turns	0.97x	0.96x	0.82x	0.83x	0.87x

* Reflects adjusted numbers. See appendix for Non GAAP Reconciliation

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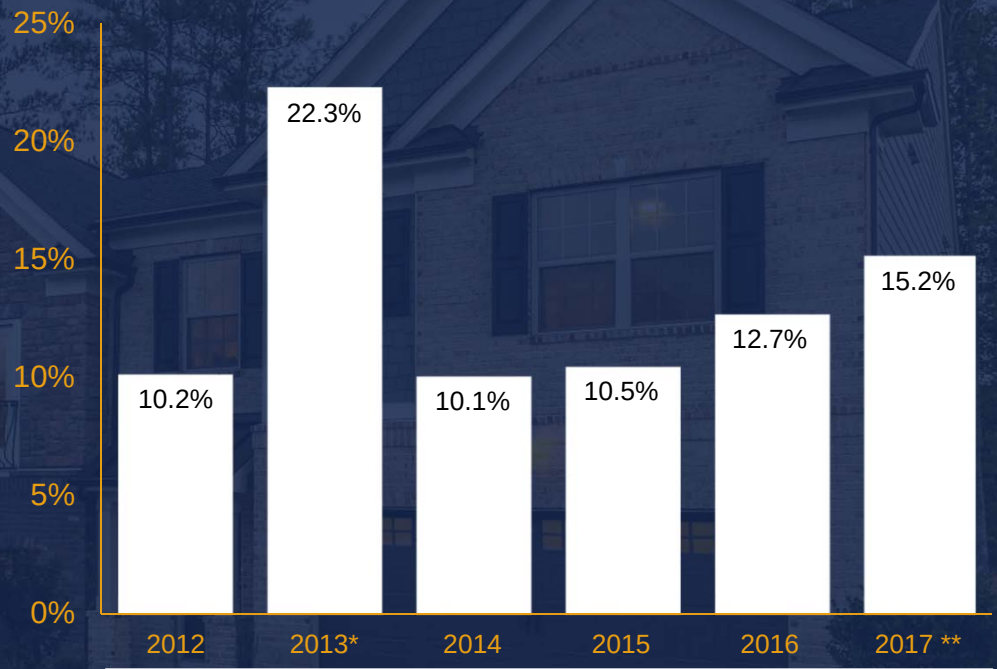
With Improved Returns

Return on Invested Capital



ROIC = (EBIT)/(Average Equity + Average Debt)

Return on Equity

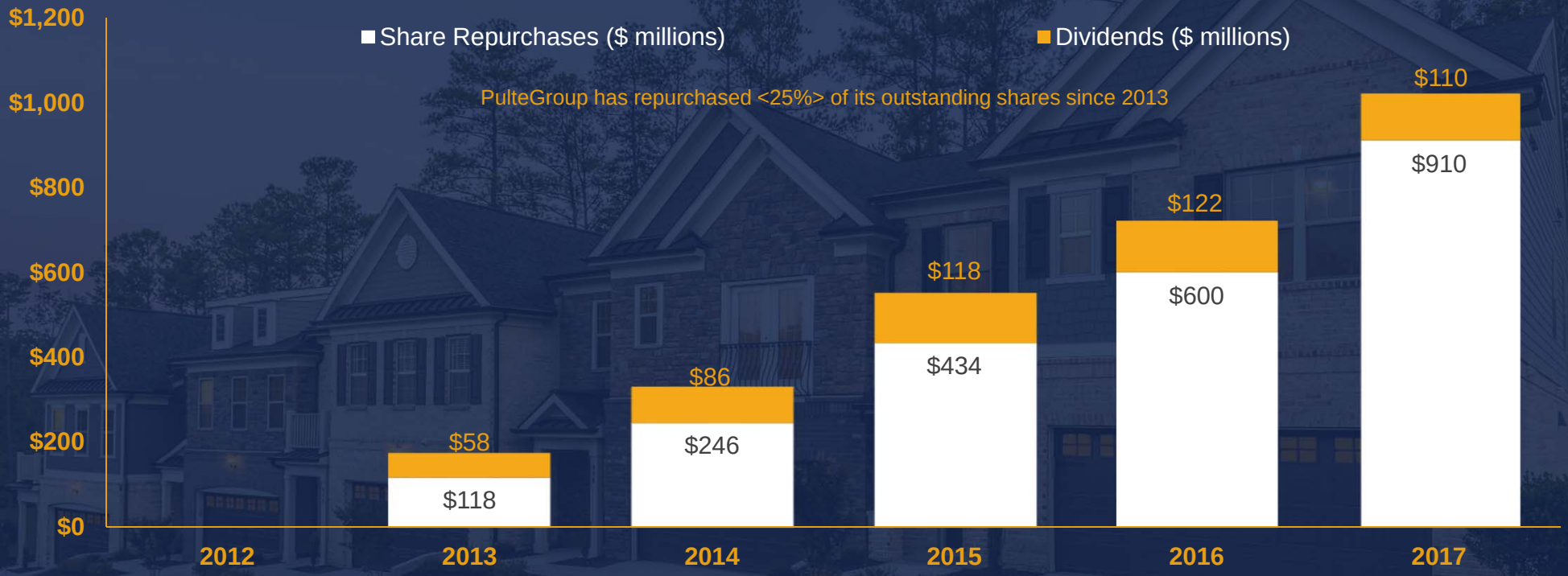


* 2013 results include $2.1 billion DTA reversal
** Reflects adjusted numbers. See appendix for Non GAAP Reconciliation

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And the Return of $2.8 Billion to Shareholders

Shareholder Friendly



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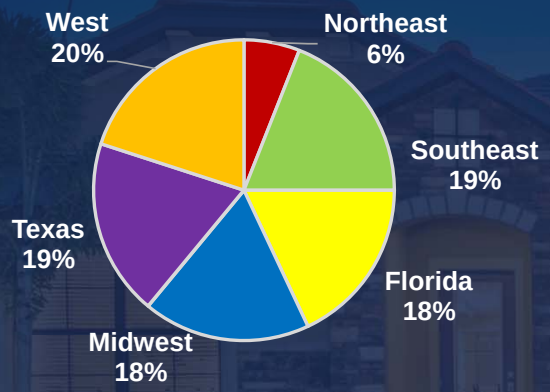
PulteGroup's Business Platform

Provides a Strong Competitive Position



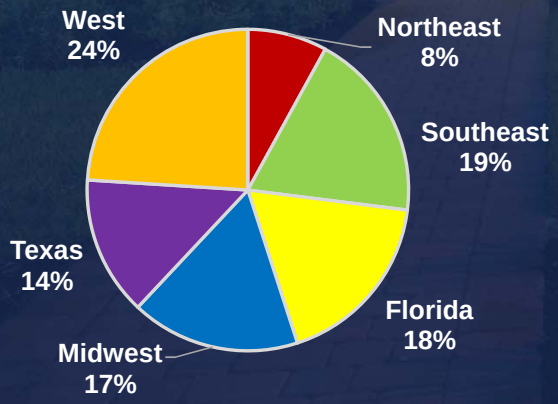
Broadly Diversified Across the Country

2017 Closings

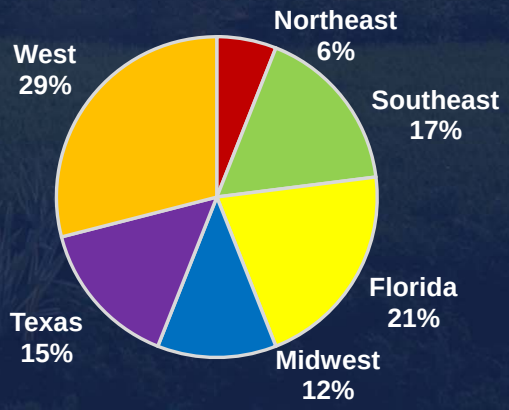




2017 Revenues



2017 Owned Lots



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With an Unmatched Ability to Serve All Buyer Groups

2017 Closings by Buyer Group



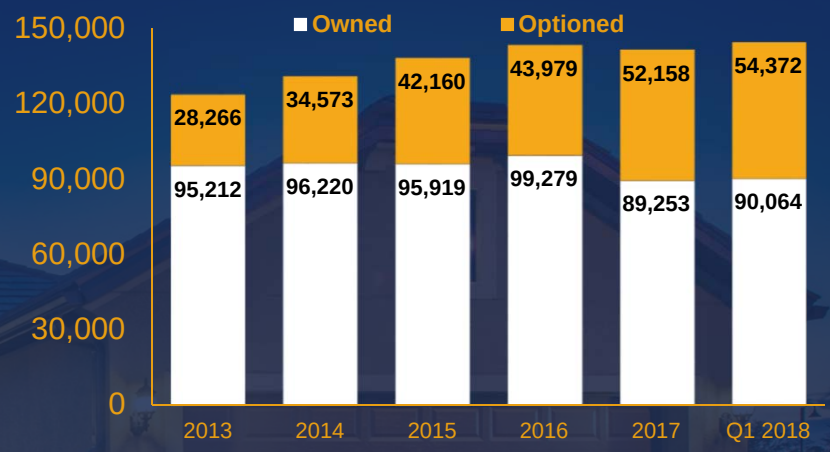
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Supported by a Robust Land Pipeline

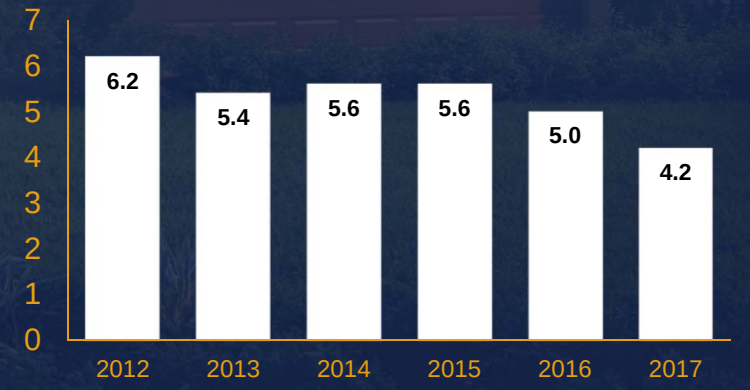
- Pipeline of ~140,000 lots provides consistent access to critical land resources

- Continue efforts to increase asset efficiency
  - Focus on shorter duration, faster turning projects
  - 38% of lots held via options which can help generate better returns with lower risk
  - Supply of owned lots lowered to current 4.2 years; long-term target of 3 years or less

Lots Under Control



Years of Lots Owned



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Building Shareholder Value

Growing Our Business While Continuing to Deliver High Returns



Looking to Build Scale in Each Market Served

Grow in existing markets to realize larger scale

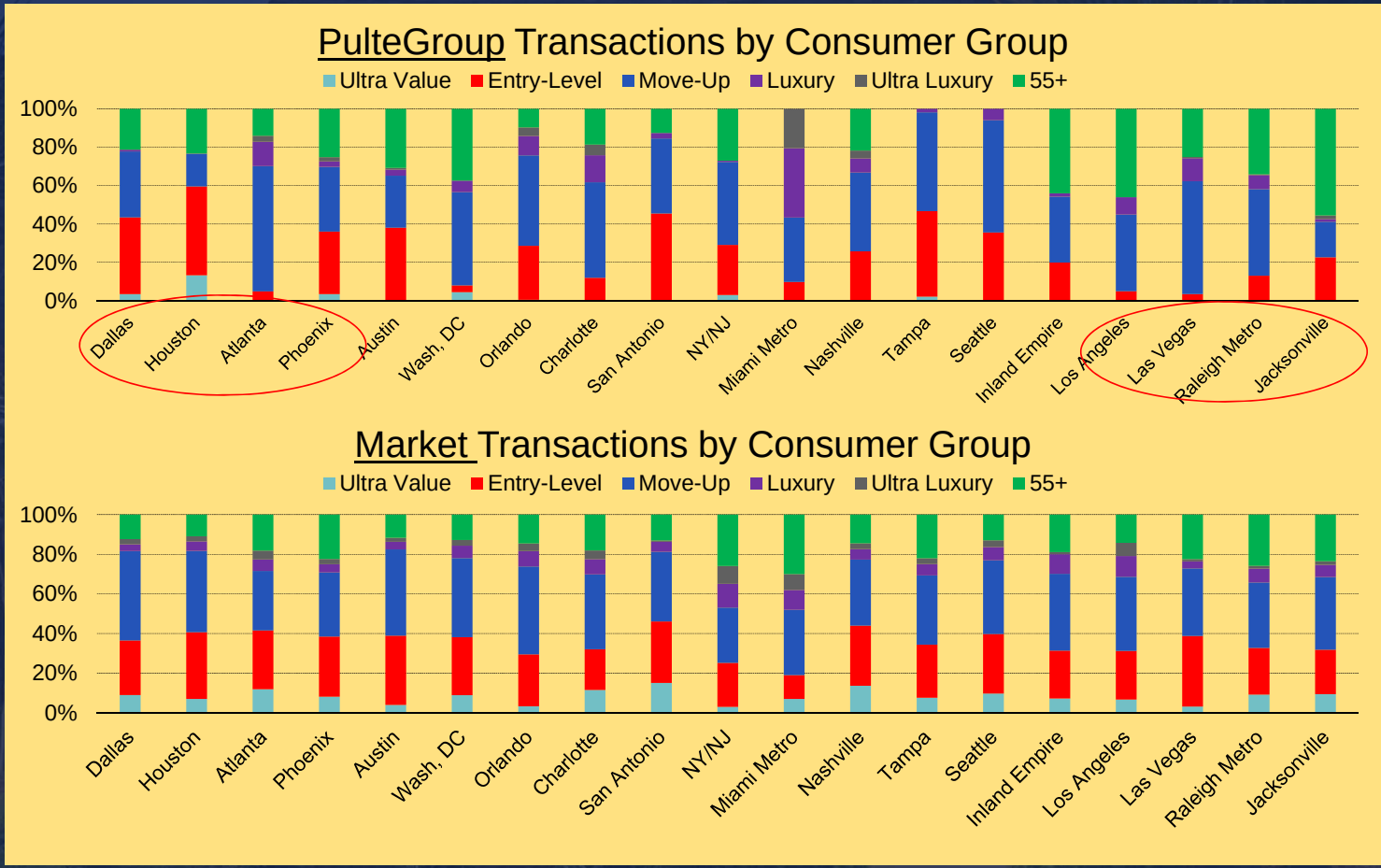
- Better access to land and trade resources
- Greater overhead efficiencies

4 relevant measures of market share

- Unit volume/scale
- Relative market share (RMS)
- Market share (absolute)
- Builder ranking

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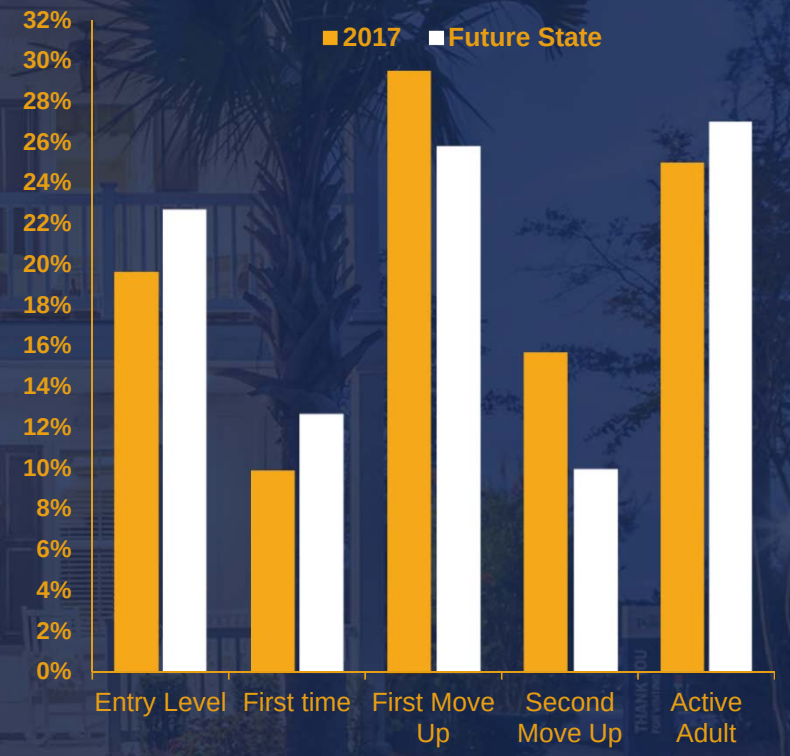
What are Some of the Market Opportunities?



Expect Modest Shifts in Buyer Mix Over the Next Few Years

- Core of business remains serving move-up buyers
  - Group is less price and interest rate sensitive
  - Spend over $70,000 on high-margin options and lot premiums
- Aging of millennial generation should support strong demand among first-time buyers
  - Potential to grow local market share and diversify buyer base
- Absorption paces within existing active adult communities can ramp dramatically higher in response to increased demand

Closings by Buyer Group

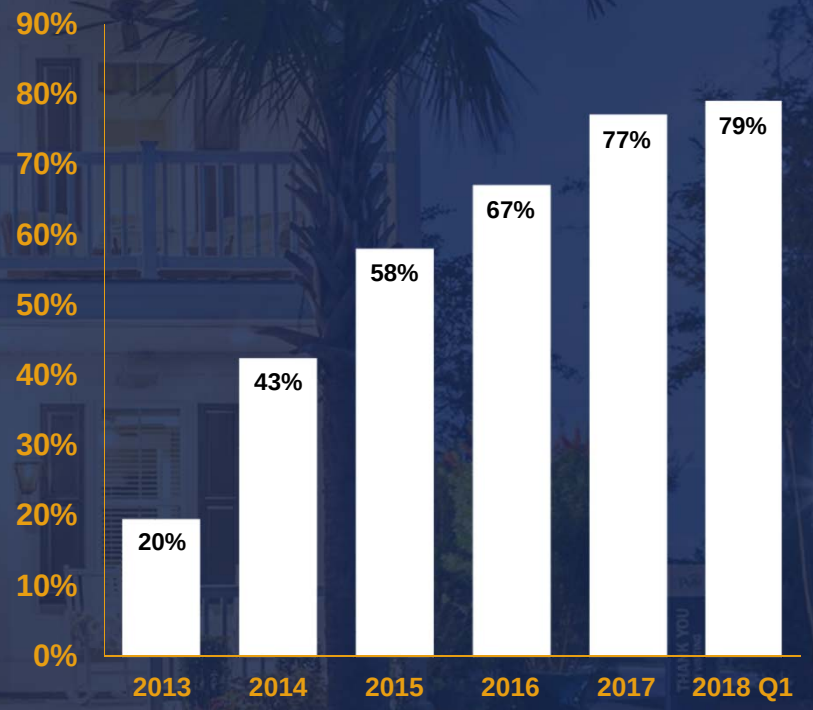


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Initiatives to Maximize Gross Margin

- Margins benefitted from prior initiatives:
  - 12-step design process
  - Commonly managed plans
  - Value engineering and should costing
  - Strategic pricing
  - Improved product quality
- Continue to reduce floor plans and expand commonly managed designs
  - Refresh of active adult plans underway to improve features and optimize build costs
- Assess long-term opportunities to incorporate more offsite manufacturing

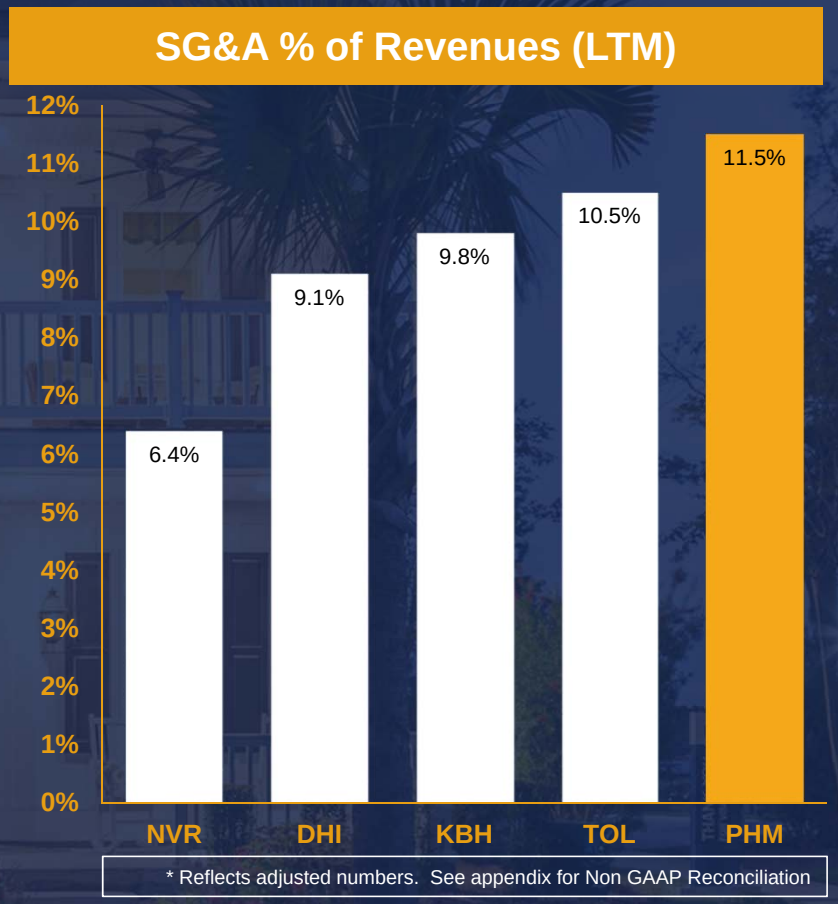
Percent of Annual Closings from Common Plans



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Areas of Focus to Achieve Greater Overhead Leverage

- Expect increased overhead leverage as revenues grow
  - Opportunity to realize an incremental 10-20 basis points of SG&A leverage annually
- Continue to assess overhead spend relative to peer group and internal best practices



* Reflects adjusted numbers. See appendix for Non GAAP Reconciliation

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And Improved Asset Efficiency

- Investing in smaller, faster turning projects
  - Potential to enhance returns while lowering risk

- Approved land deals in 2017 averaged 125 lots and 2.7 years of supply
  - Continue to expand use of options as 61% of lots approved for purchase in Q1 2018 were under option
  - Efforts to improve construction cycle time and schedule adherence
  - Slowing the rate of growth in overall land spend

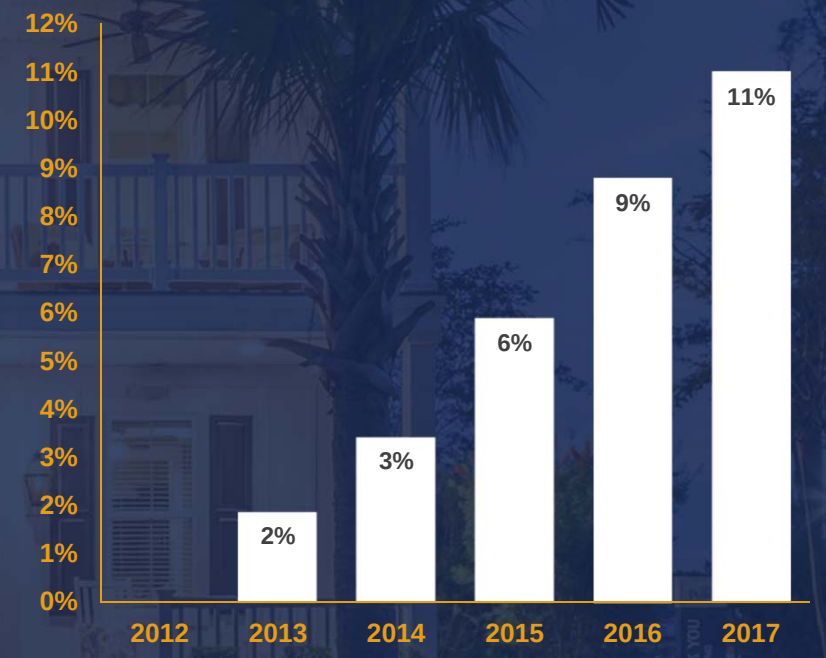


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That Can Deliver Increased Cash Flows

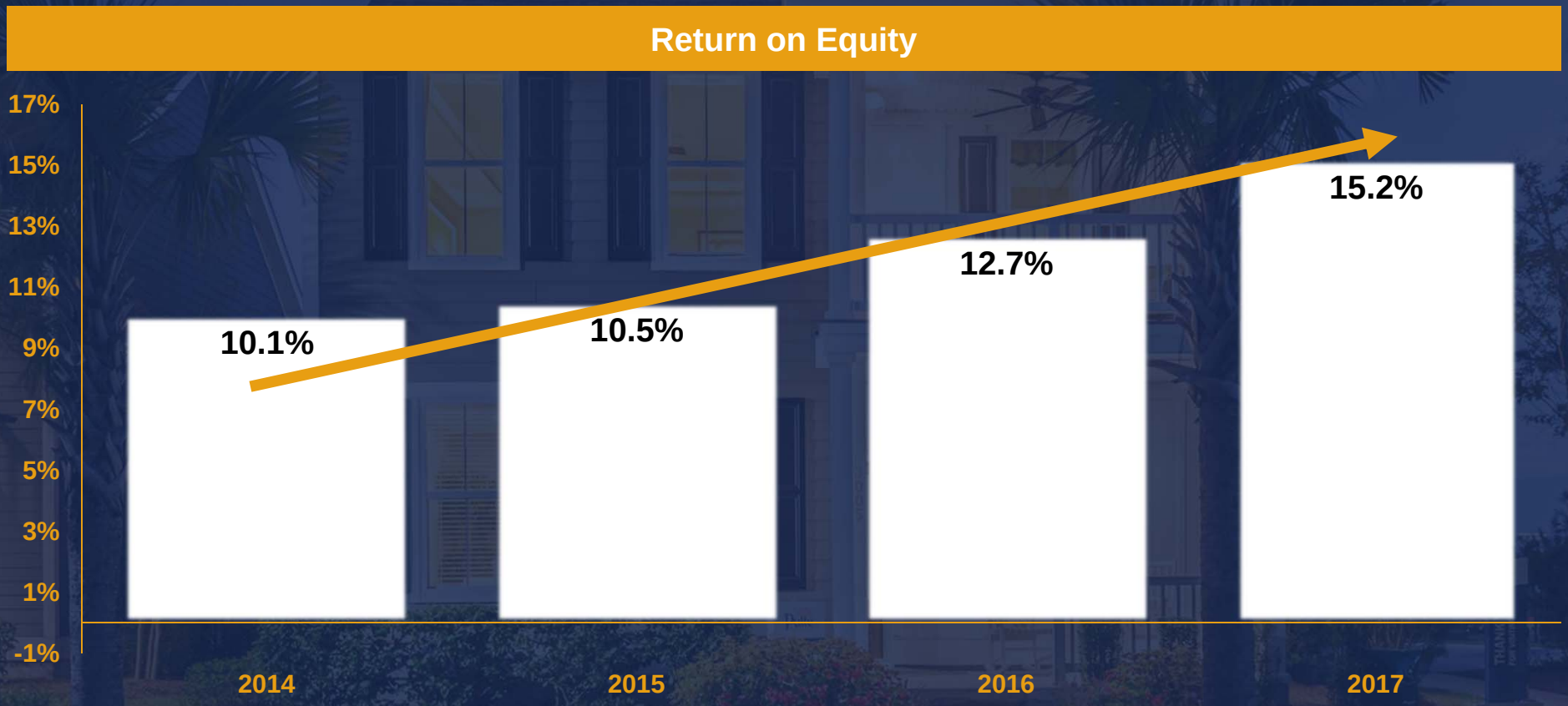
- Given strong land pipeline, investment growth can moderate
  - Increasing development spend which recycles faster than acquisition dollars
- Operations expected to generate $700 million to $900 million of cash flow in 2018
- Potential for excess cash to be returned to shareholders through sustained repurchase activities

% of Total Shares Outstanding Repurchased Annually



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And Higher Returns on Equity



Summary

Growing Our Business While Continuing to Deliver High Returns



Planning to Deliver Growth and High Returns

- Expect 2018 revenue growth of 9% to 19%
- Maintain disciplined business practices to maximize gross and operating margins
- Improve overall asset efficiency to enhance cash flow
- Use strong cash flow to invest in the business and repurchase shares consistent established capital allocation priorities

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Continue Disciplined Land Investment in Target Markets

IRR Threshold	18%	18%	18%	18%	18%	19%	19%	20%	20%	21%	21%	22%	22%	23%	24%	25%	26%	27%	28%	29%	30%
Score	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33

- Four major categories to determine risk profile
  1. Strategic Marketing
     - Location, marketability, supply & demand
  2. Execution Risk
     - Entitlement, development, product, recent performance
  3. Deal structure
     - Takedown structure, years supply, exit costs
  4. Operational metrics
     - Pace, price and sensitivity
- Process provides common language for assessing projects across operations

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Reconciliation of Non-GAAP Financial Measures (Unaudited)

This report contains information about our operating results reflecting certain adjustments, including adjustments to cost of revenues, selling general, and administrative expenses, income before income taxes, income tax expense, net income, diluted earnings per share, and operating margin. These measures are considered non-GAAP financial measures under the SEC's rules and should be considered in addition to, rather than as a substitute for, the comparable GAAP financial measures as measures of our profitability. We believe that reflecting these adjustments provides investors relevant and useful information for evaluating the comparability of financial information presented and comparing our profitability to other companies in the homebuilding industry. Although other companies in the homebuilding industry report similar information, the methods used may differ. We urge investors to understand the methods used by other companies in the homebuilding industry to calculate these measures and any adjustments thereto before comparing our measures to those of such other companies. The following tables set forth a reconciliation of the non-GAAP financial measures to the GAAP financial measures that management believes to be most directly comparable ($000's omitted):

	Twelve Months Ended December 31, 2017			Twelve Months Ended December 31, 2016		
	As Reported	Adjustments (a)	Adjusted	As Reported	Adjustments (b)	Adjusted
Revenues:						
Homebuilding						
Home sale revenues	$ 8,323,984	$ —	$ 8,323,984	$ 7,451,315	$ —	$ 7,451,315
Land sale revenues	57,106	—	57,106	36,035	—	36,035
	8,381,090	—	8,381,090	7,487,350	—	7,487,350
Financial Services	192,160	—	192,160	181,126	—	181,126
Total revenues	8,573,250	—	8,573,250	7,668,476	—	7,668,476
Homebuilding Cost of Revenues:						
Home sale cost of revenues	(6,461,152)	101,058	(6,360,094)	(5,587,974)	1,074	(5,586,900)
Land sale cost of revenues	(134,449)	81,006	(53,443)	(32,115)	—	(32,115)
	(6,595,601)	182,064	(6,413,537)	(5,620,089)	1,074	(5,619,015)
Financial Services expenses	(119,289)	—	(119,289)	(108,573)	—	(108,573)
Selling, general, and administrative expenses (SG&A)	(891,581)	(65,496)	(957,077)	(957,150)	(45,213)	(1,002,363)
Other expense, net	(27,951)	8,017	(19,934)	(48,814)	26,643	(22,171)
Income before income taxes	938,828	124,585	1,063,413	933,850	(17,496)	916,354
Income tax expense	(491,607)	107,661	(383,946)	(331,147)	(17,596)	(348,743)
Net income	$ 447,221	$ 232,246	$ 679,467	$ 602,703	$ (35,092)	$ 567,611
Earnings per share (diluted)	$ 1.44		$ 2.19	$ 1.75		$ 1.66
Home sale gross margin	22.4 %		23.6 %	25.0 %		25.0 %
SG&A as a percentage of sales	10.7 %		11.5 %	12.8 %		13.5 %
Operating margin	11.7 %		12.1 %	12.2 %		11.6 %
Effective tax rate	52.4 %		36.1 %	35.5 %		38.1 %

(a) Includes land inventory impairments, net realizable value adjustments on land held for sale, net insurance-related benefits, an impairment of an investment in an unconsolidated subsidiary, and income tax charges primarily related to the revaluation of deferred tax assets resulting from the Tax Cuts and Jobs Act enacted in December 2017

(b) Includes land inventory impairments, net insurance-related benefits, restructuring costs associated with a plan to reduce overhead expenses, costs relating to shareholder activities, a charge resulting from the settlement of a disputed land transaction, and net income tax benefits primarily related to energy efficient home credits and a deferred tax benefit related to a legal entity restructuring