Where We Build

EEBA 2017 | Atlanta

Flagstaff

Chino Valley
Prescott
Prescott Valley

Clarkdale

Wickenburg

Glendale
Phoenix
• Founded in 1999
• Will build approx 250 single family homes in 2018
• Have built exclusively ENERGY STAR, Indoor air PLUS and Zero Energy Ready Homes since 2012
• Average HERS without renewables of 47
• Market our above code homes at nearly cost neutral price point to Energy Star 3.0 builders in our market
• Standardizing on a grid optimized renewables and energy storage platform as a standard feature
• Grid Optimized Homes average a HERS 25-32
• Awards include DOE - Housing Innovation Awards, Energy Star - Partner of the Year, Hive 50 - Innovator of the Year, Tech Home Builder - Brilliance Awards, Arizona Forward – Environmental Excellence Award
• Mandalay Specifications

• All Mandalay Homes since 2013 have had solar as the only energy option offered
• Historically low take rate as an option due to initial investment and low ROI prospect. Less than a 7% conversion rate.
• Arizona electric utilizes have a unique rate structure that has extended the ROI of solar alone even further
• Mandalay’s “Grid Optimized” home is a combination of an energy optimized home and a tailored solar/ battery storage solution meant to maximize monthly utility savings for the absolute lowest initial investment possible
• This new feature is being offered as a standard feature on all new home development moving forward
• 30+ homes under construction currently in 2 developments
• An additional 200 will be started or closed by the end of 2019
• 9 homes currently commissioned and running in various area of Northern Arizona
Company Overview

• Since 1954: incorporated in Miami, Florida:
  • Doing business in 21 states;
  • over 49 markets;
  • 29,3000 homes in 2017
• 1981 formed Universal American Mortgage Company;
• 2011 formed Lennar Multifamily Communities (luxury rental apartments);
• 2013 formed Sunstreet Energy Group (solar and home automation)
• 2017 first Wi-Fi Certified Home
- Lennar started its partnership with ENERGY STAR in 2002.

- Lennar built over 10,500 ENERGY STAR homes in 2017 (2nd most ENERGY STAR homes built by a builder in the country).

- Lennar had 7 divisions that won the Leadership in Housing award in 2017.
Under 42 USC § 6831(b)(2) Congress sought to encourage “the development and implementation of voluntary performance standards for new residential and commercial buildings which are designed to achieve the maximum practicable improvements in energy efficiency and increases in the use of nondepletable sources of energy . . . .” (emphasis added).

“encourage States and local governments to adopt and enforce such standards through their existing building codes . . . .“ (b)(3).

Examples of solar homes to follow
Colorado
Typical Size is 4 kW
Austin, TX
Benefits of Solar

• Meets numerous policy goals:
  • Renewable/Clean energy mandates;
  • Building codes (e.g., ERI Path, CA Requirement);
  • 80% efficient after 40 years (NREL)
  • Energy Star in the future?

• Strong public support;
• Enhances the affordability of a home using favorable consumer financing (e.g., lease or PPA)
<table>
<thead>
<tr>
<th><strong>Quick Facts</strong></th>
<th><strong>headquartered in</strong></th>
<th><strong>Meritage Homes builds energy-efficient homes that can yield up to a</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>34,319</strong></td>
<td>Scottsdale,</td>
<td>50% savings on utility bills</td>
</tr>
<tr>
<td>total lots</td>
<td>Arizona</td>
<td></td>
</tr>
<tr>
<td>owned or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>controlled</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1,605</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>operating in</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>9</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>states</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>7,709</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>homes closed in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>21</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>32+</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>years of building dreams</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>founded in</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>1985</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>$3.2B</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>home closing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>revenue in 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>244</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>communities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>$2.7B</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>real estate assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MTH</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NYSE since 1996</td>
<td></td>
<td></td>
</tr>
<tr>
<td>($2.1B mkt cap as of 12.31.17)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>the first</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100% ENERGY STAR production builder</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(in 2010)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>more than</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>100k</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>homes built</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>7th</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>largest homebuilder by 2017 U.S. closings</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

All facts and figures as of December 31, 2017, unless otherwise noted.
Meritage Builds Homes Coast-to-Coast
A Growth Oriented Company With Opportunity

Proven record of success with acquisitions and greenfield startups
OUR CORE VALUES

START WITH HEART
INTEGRITY ABOVE ALL ELSE
DEVELOP TO EMPOWER
THINK STRATEGICALLY
BUILD VALUE
PLAY TO WIN
Commodities
Commodities
How do typical customers buy a home?
Customer Priorities

Location

Floor Plan

Price

?
New Opportunity to get Better Value

Rate the importance of the following when purchasing your next home:

- Single Family Detached: 68% Most Important, 30% Important
- Better Home Layout: 40% Most Important, 50% Important
- Energy Efficient Home: 39% Most Important, 54% Important
- New Interior Features (Cabinets, Countertops, etc.): 34% Most Important, 53% Important
- Larger Private Yard: 24% Most Important, 33% Important
- A View: 23% Most Important, 47% Important
- More Storage: 21% Most Important, 58% Important
- Bigger Home: 19% Most Important, 31% Important
- Smaller Private Yard: 7% Most Important, 26% Important
- Smaller Home: 6% Most Important, 21% Important

Most Important vs. Important
TOP 5 REASONS TO BUY GREEN HOME / MAKE GREEN IMPROVEMENTS TO HOME

- Cost savings on power and heating: 94%
- Reduced use of water: 63%
- Reduce the impact I have on the environment: 60%
- Improved air quality in home: 53%
- Increase the value of your home: 50%
81% say higher energy efficiency would cause them to choose one new home over another.
Cash Flow Analysis Example: 4.6 kW system in AZ

Assumptions
- 10% down, 30-yr FMR at 4.6%
- Current Electricity Avg. rate of $0.12 per kWh
- Electricity rate of inflation = 4%
Renewable Energy: Duck Curve
How do customers make Better choices?
ReNEWable Home: IBS 2018

New Value Standard

- Multigenerational Design
- Advanced Home Automation
- Advanced Health Management
- Advanced Materials / Constriction Processes
- Advanced Energy Management
- Disaster Resistant
- Lower Total Cost
A. Smart ventilation (off peak)
B. Isolated Thermal mass / phase change
C. Thermal storage (heatpump HVAC precool off peak)
D. Low solar heat gain (reflective / vented cladding materials)
E. Smart appliances
F. Large hot water storage w/ heat pump.
A. West facing solar.
Improving Choices

• Demonstrating lower total cost
  • HERS Scores
  • Appraisals
  • Mortgages

• Leverage lower cost TOU rates
Thank you!

CR Herro
Vice President of Innovation
CR.Herro@MeritageHomes.com