

Fourth Quarter 2012 Analyst Call



January 31, 2013




Setting the standard for **energy-efficient homebuilding**

Forward-Looking Statements

This presentation and the associated press release contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include those regarding the Company's expectations for a continued recovery in the homebuilding industry and for the company's additional growth, the sufficiency of its liquidity to support future growth, as well as the company's ability to use its deferred tax asset to offset future income taxes within the statutory periods, all of which are subject to significant risks and uncertainties. The Company makes no commitment, and disclaims any duty, to update or revise any forward-looking statements to reflect future events or changes in these expectations.

Meritage's business is subject to a number of risks and uncertainties. As a result of those risks and uncertainties, the Company's stock and note prices may fluctuate dramatically. The risks and uncertainties include but are not limited to the following: weakness in the homebuilding market resulting from an unexpected setback in the current economic recovery; interest rates and changes in the availability and pricing of residential mortgages; adverse changes in tax laws that benefit our homebuyers; the ability of our potential buyers to sell their existing homes; cancellation rates and home prices in our markets; inflation in the cost of materials used to construct homes; the adverse effect of slower order absorption rates; potential write-downs or write-offs of assets, including pre-acquisition costs and deposits; the availability of finished lots and undeveloped land; our potential exposure to natural disasters; the liquidity of our joint ventures and the ability of our joint venture partners to meet their obligations to us and the joint venture; competition; the success of our strategies in the current homebuilding market and economic environment; the adverse impacts of cancellations resulting from small deposits relating to our sales contracts; construction defect and home warranty claims; the uncertainty of litigation; our success in prevailing on contested tax positions; our ability to preserve our deferred tax assets and use them within the statutory time limits; our ability to obtain performance bonds in connection with our development work; the loss of key personnel; our failure to comply with laws and regulations; the availability and cost of materials and labor; our lack of geographic diversification; fluctuations in quarterly operating results; the Company's financial leverage and level of indebtedness; our ability to take certain actions because of restrictions contained in the indentures for the Company's senior and senior subordinated notes and our ability to raise additional capital when and if needed; our credit ratings; successful integration of future acquisitions; government regulations and legislative or other initiatives that seek to restrain growth or new housing construction or similar measures; acts of war; the replication of our "Green" technologies by our competitors; our exposure to information technology failures and security breaches; and other factors identified in documents filed by the Company with the Securities and Exchange Commission, including those set forth in our Form 10-K for the year ended December 31, 2011 and most recent 10-Q under the caption "Risk Factors," which can be found on our website.

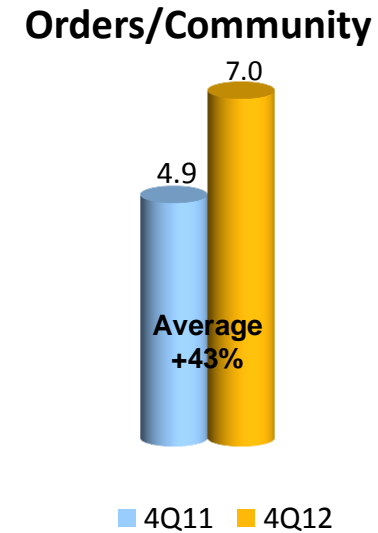
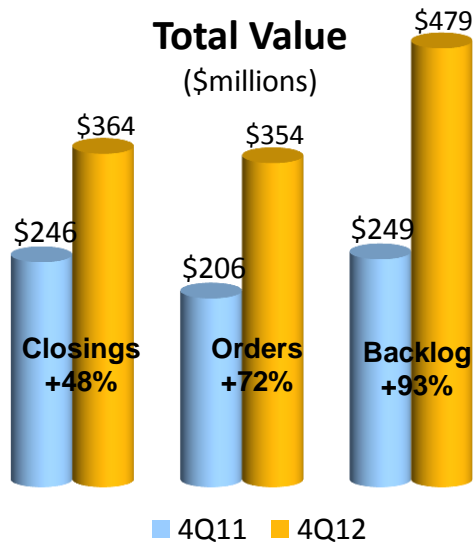
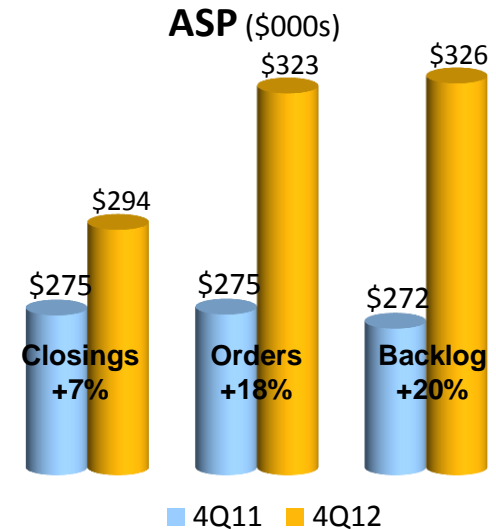
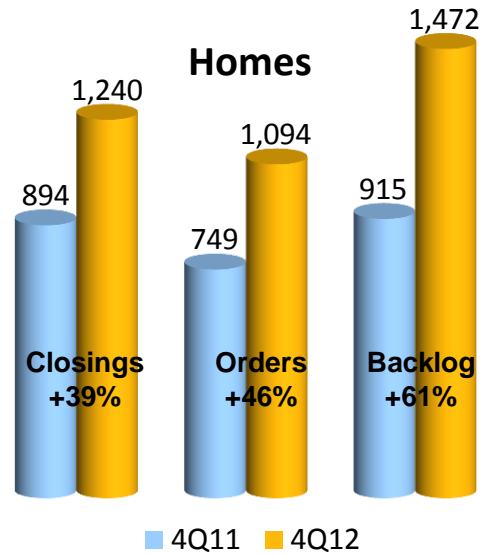
Speakers



Steven J. Hilton, Chairman/CEO

Larry W. Seay, EVP/CFO

Summary of Selected 4Q Operating Results



Significant growth in key metrics across the board as housing market strengthened over last year

Order Trends by State

Yr/Yr Growth 2012 vs 2011

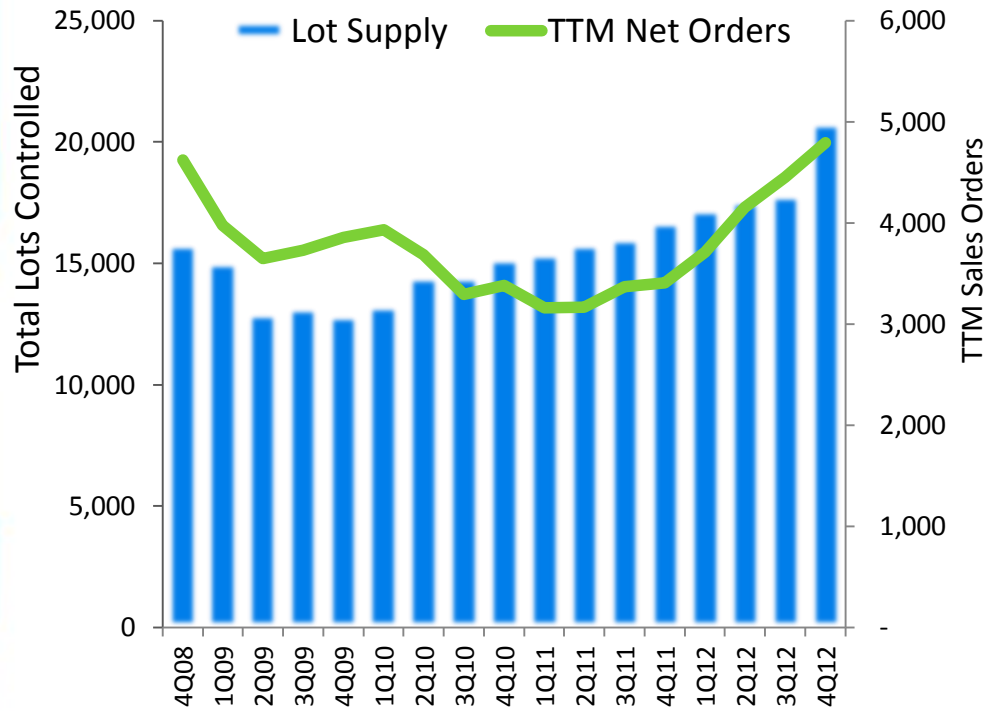
State*	Net Orders 4Q12	Full Year 2012			
		Net Orders FY2012	Orders/ Community	ASP (\$000)	Total Order Value (\$000)
Arizona	178	916	24.4	\$280.2	\$256,684
Y/Y change%	39%	46%	34%	7%	57%
California	251	965	52.2	\$374.4	\$361,328
Y/Y change%	154%	146%	126%	11%	172%
Colorado	98	364	33.1	\$339.0	\$123,403
Y/Y change%	78%	32%	14%	4%	38%
Texas	389	1,759	26.7	\$244.2	\$429,465
Y/Y change%	14%	10%	25%	3%	14%
Carolinas	33	142	28.4	\$356.4	\$50,613
Y/Y change%	38%	n/m	n/m	n/m	n/m
Florida	136	579	32.2	\$310.5	\$179,806
Y/Y change%	35%	31%	2%	10%	44%

*Excludes Nevada, where we are winding down operations.
n/m – Carolinas was a new market in 4Q11, making these yr/yr changes not meaningful

All markets improved sales metrics – California and Arizona achieved largest yr/yr growth in orders/value

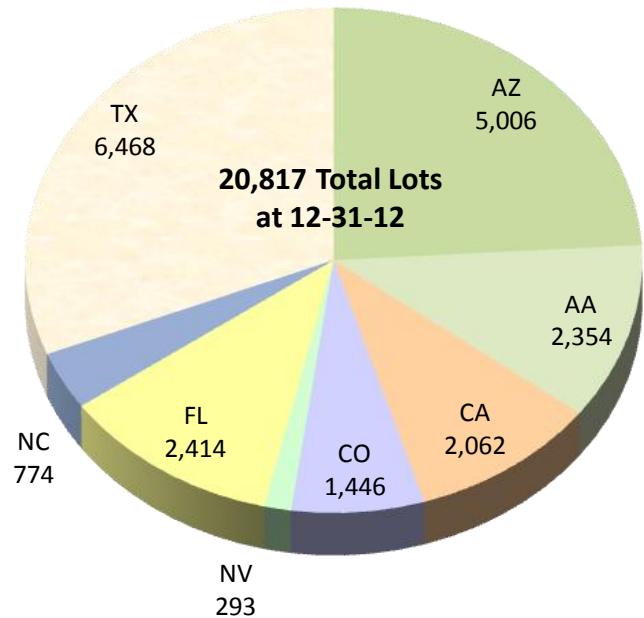
Growing Lot Supply to Support Orders Growth

Highest Lot Count in Four Years



~9,000 Lots purchased in 2012

~9,000 Net New Lots Put Under Contract in 2012 (127 communities)



Yrs Lot Supply (ttm closings)				
12/31/08	12/31/09	12/31/10	12/31/11	12/31/12
2.8	3.2	4.1	5.1	4.9

Invested \$175M & grew lot supply by 3,000 in 4Q12;
 Total of \$480M invested in 2012, grew lot supply by 4,100



4Q12 Operating Summary

	4Q12	4Q11	Change
Home closing revenue	\$364,118	\$245,730	48%
Home closing gross profit	\$68,763	\$39,411	74%
Adjusted gross margin (excl. impairments*)	19.0%	18.8%	20 bps
Commissions and other sales costs	\$26,883	\$21,036	28%
-- as a percent of home closing revenue	7.4%	8.6%	-120 bps
General and administrative expenses	\$17,739	\$17,602	--
-- as a percent of total revenue	4.9%	7.2%	-230 bps
Interest expense**	\$5,526	\$7,363	-25%
-- as a percent of total revenue	1.5%	3.0%	-150 bps
Adjusted pretax income (excl. impairments*)	\$24,036	\$2,267	960%
Diluted EPS	\$2.49	\$(0.36)	n/m

- Gross margin growth tempered due mostly to cost pressures offsetting home sales price increases
- Greatest leverage due to overhead growing much slower than revenue and gross profit

* Impairments of \$0.4M in 4Q12 and \$13.2M in 4Q11 (\$13.9M for pretax income - see Appendix)

** Interest expense decreased due to a greater portion of interest incurred capitalized to assets under development (land and homes in construction)

Significant earnings leverage as revenue is growing, due to overhead control and lower interest expense

FY2012 Operating Summary

	FY12	FY11	Change
Home closing revenue	\$1,184,360	\$860,884	38%
Home closing gross profit	\$217,976	\$147,448	48%
Adjusted gross margin (excl. impairments*)	18.5%	18.2%	30 bps
Commissions and other sales costs	\$94,833	\$74,912	27%
-- as a percent of home closing revenue	8.0%	8.7%	-70 bps
General and administrative expenses	\$68,185	\$64,184	6%
-- as a percent of total revenue	5.7%	7.5%	-180 bps
Interest expense**	\$24,244	\$30,399	-20%
-- as a percent of total revenue	2.0%	3.5%	-150 bps
Adjusted pretax income (excl. charges*)	\$45,355	(\$4,204)	n/m
Diluted EPS	\$3.00	\$(0.65)	n/m

Increased revenue from home closings and price increases leveraged for greater earnings growth through:

- Gross margin increases
- Managed overhead growth slower than revenue growth
- Greater portion of interest capitalized

* Impairments of \$2M in 2012 and \$16.2M in 2011; other charges included \$8.7M increase in litigation reserve and \$5.7M loss on early extinguishment of debt in 2012 (see Appendix)

** Interest expense decreased due to a greater portion of interest incurred capitalized to assets under development (land and homes in construction)

2012 was our first year of significant pretax earnings since 2006

Deferred Tax Assets

DTA Analysis as of December 31, 2012 (\$millions)	DTA	Tax Liabilities	Valuation Allowance
Balances at September 30, 2012	\$96.3	(\$3.4)	(\$88.6)
Allowance reversed			79.9
4Q12 tax provision	(8.4)		
Reclassification	(1.2)	1.2	
Totals	\$86.7	(\$2.2)	(\$8.7*)

Net
4Q12
P&L
impact
\$71.5M

* Represents DTA related to states where the asset may not be fully utilized within statutory time limits

Reversed majority of allowance against deferred tax asset, leaving net \$78M asset on balance sheet

Strong Balance Sheet With Adequate Liquidity for Future Growth

<i>\$ in millions</i>	12/31/12	12/31/11
Total Cash & Securities	\$ 295.5	\$ 333.2
Total Outstanding Debt	\$ 722.8	\$ 606.4
Equity	\$ 694.2	\$ 488.9
Net Debt to Capital	38.1%	35.8%
Real Estate	\$ 1,113.2	\$815.4

Additional \$209M capital raised in 2012 invested in new land positions for future growth opportunity

Summary

- Results improved across the board:
 - Closings, ASPs, revenue, gross margin increased
 - Overhead & interest expense leverage improved
 - Strong order growth and healthy backlog
 - Grew lot supply and real estate assets
- Expectations for 2013:
 - Continued growth in homebuilding market
 - 15-20% growth in community count
 - 20-25% growth in orders
 - Yr/Yr improvement in gross margin
 - Significant earnings growth from operating leverage

U.S. starts and new home sales still well under historical averages -- plenty of growth opportunity for several years to come

Non-GAAP Reconciliations

	Three Months Ended				Twelve Months Ended			
	December 31,				December 31,			
Non-GAAP Reconciliations:								
Home closing gross profit	\$ 68,763	18.9%	\$ 39,411	16.0%	\$ 217,976	18.4%	\$ 147,448	17.1%
Add: Real estate-related impairments	<u>436</u>	0.1%	<u>6,696</u>	2.7%	<u>1,340</u>	0.1%	<u>8,870</u>	1.0%
Home closing gross profit excl. impairments	69,199	19.0%	46,107	18.8%	219,316	18.5%	156,318	18.2%
Interest amortized to Cost of Sales	<u>5,375</u>	1.5%	<u>2,790</u>	1.1%	<u>15,101</u>	1.3%	<u>9,863</u>	1.1%
Home closing gross profit excluding impairments & interest amortized to Cost of Sales	<u>\$ 74,574</u>	20.5%	<u>\$ 48,897</u>	19.9%	<u>\$ 234,417</u>	19.8%	<u>\$ 166,181</u>	19.3%
Income/(loss) before income taxes	\$ 23,600	6.5%	\$ (11,604)	-4.7%	\$ 28,854	2.4%	\$ (20,376)	-2.4%
Add: Real estate-related impairments								
Terminated lot options	-	0.0%	8,994	3.7%	346	0.0%	9,221	1.1%
Land Sales	-	0.0%	-		669	0.1%	-	
Impaired Projects	436	0.1%	4,029	1.6%	994	0.1%	6,103	0.7%
Fixed asset impairments	-	0.0%	848	0.3%	-	0.0%	848	0.1%
Increase in litigation reserve (1)	-	0.0%	-	0.0%	8,720	0.7%	-	0.0%
Loss on early extinguishment of debt	<u>-</u>	0.0%	<u>-</u>	0.0%	<u>5,772</u>	0.5%	<u>-</u>	0.0%
Adjusted income/(loss) before income taxes	<u>\$ 24,036</u>	6.6%	<u>\$ 2,267</u>	0.9%	<u>\$ 45,355</u>	3.8%	<u>\$ (4,204)</u>	-0.5%