

# Wells Fargo Securities Research & Economics 2014 Industrial & Construction Conference

May 7, 2014



Setting the standard for energy-efficient homes™

# Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include management's expectations for positive housing market conditions, its projected community count, flat margins for 2014, and revenue and earnings growth for 2014 and beyond.

Such statements are based upon the current beliefs and expectations of Company management, and current market conditions, which are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. 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; the availability of finished lots and undeveloped land; interest rates and changes in the availability and pricing of residential mortgages; the availability and cost of materials and labor; 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; weakness in the homebuilding market resulting from an unexpected setback in the current economic recovery; 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; a change feasibility of projects under option or contract that could result in the write-off of option deposits; our potential exposure to natural disasters; competition; the adverse impacts of cancellations resulting from small deposits relating to our sales contracts; construction defect and home warranty claims; our success in prevailing on contested tax positions; our ability to preserve our deferred tax assets and use them within the statutory time limits; delays and risks associated with land development; our ability to obtain performance bonds in connection with our development work; the liquidity of our joint ventures and the ability of our joint venture partners to meet their obligations to us and the joint venture; the loss of key personnel; changes in or our failure to comply with laws and regulations; our lack of geographic diversification; fluctuations in quarterly operating results; our financial leverage and level of indebtedness; and our ability to take certain actions because of restrictions contained in the indentures for our senior notes and our ability to raise additional capital when and if needed; our credit ratings; successful integration of future acquisitions; our compliance with government regulations and the effect of 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, 2013 under the caption "Risk Factors," which can be found on our website.

# Presenters

Steven J. Hilton, Chairman/CEO

Larry Seay, Executive Vice President/Chief Financial Officer



# National Housing Fundamentals <sup>still</sup> Very Strong

2Q15

- **Demand Exceeds Supply**

**2.3 mil jobs created in last year**

**÷ 1.014 mil total permits**

**= 2.27 jobs/housing unit**

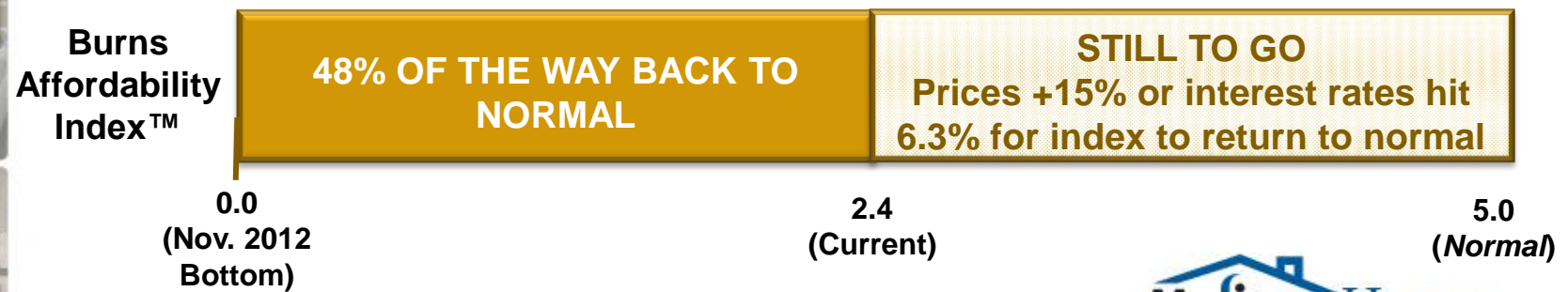
- **Affordability**

- Burns Affordability Index: 2.4 (scale 0 to 10)

- **Supply Is Low**

- Resale = 5.2 months

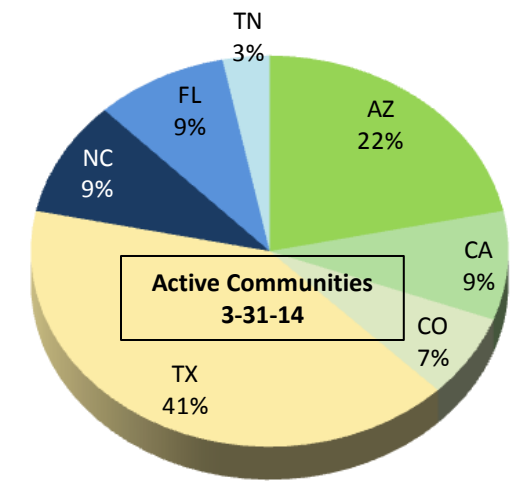
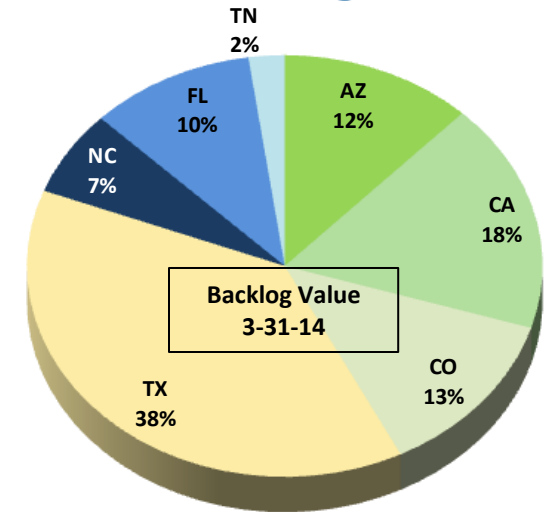
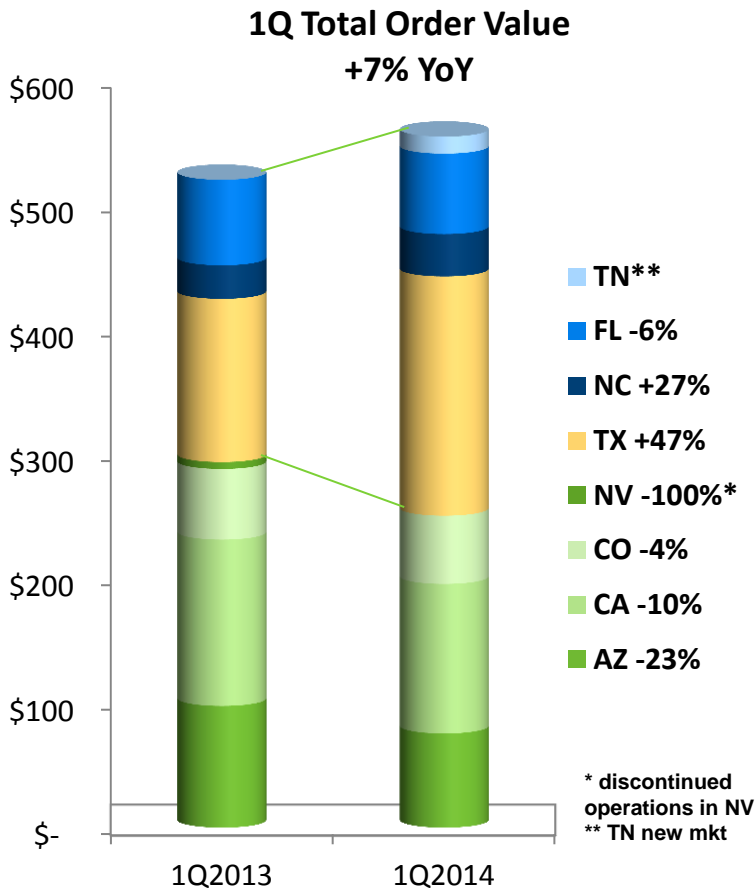
# New home sales and construction still well below normal



Source: JBREC (US Housing Analysis and Forecast, April 2014)

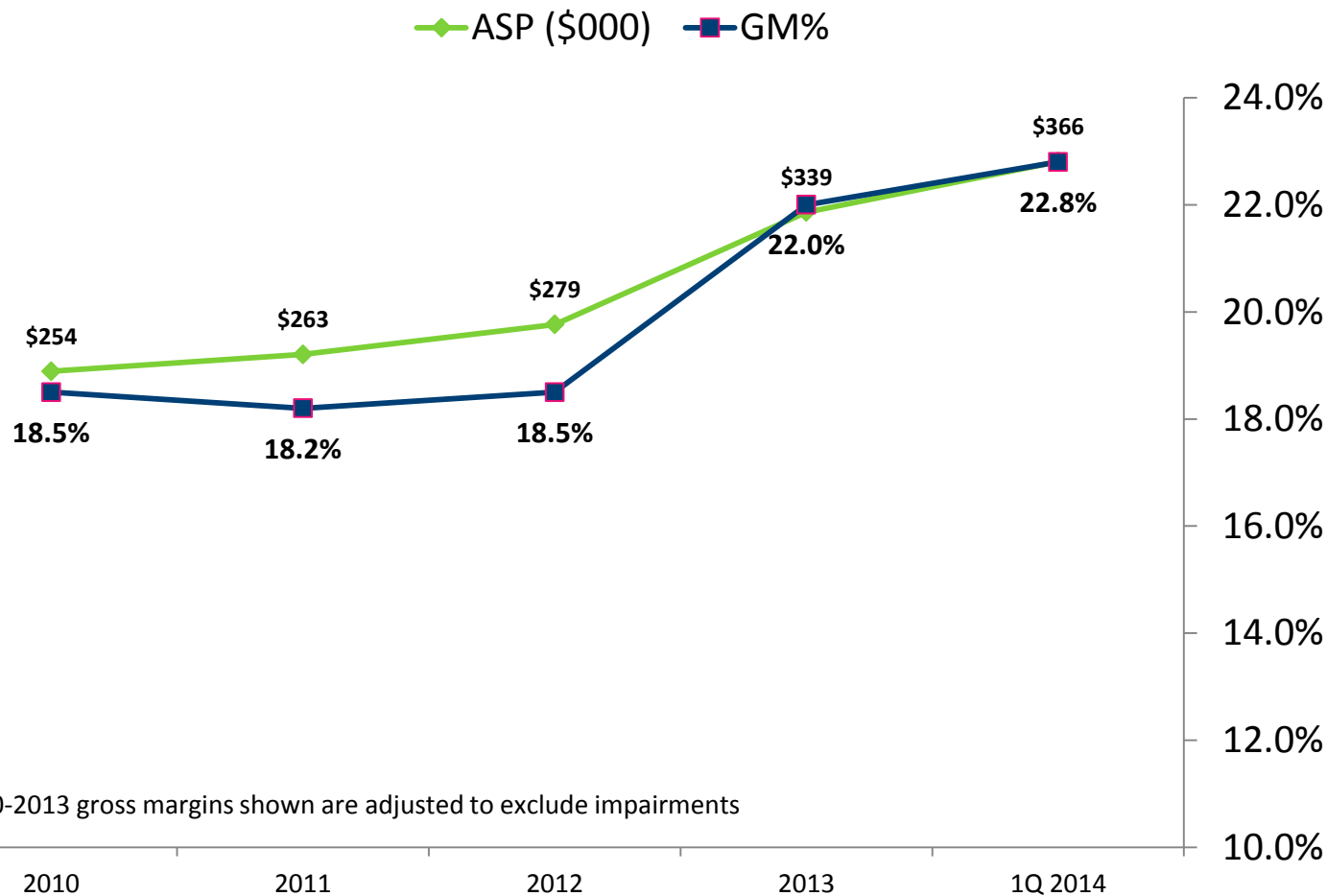


# Texas & Southeast markets becoming more dominant drivers of growth



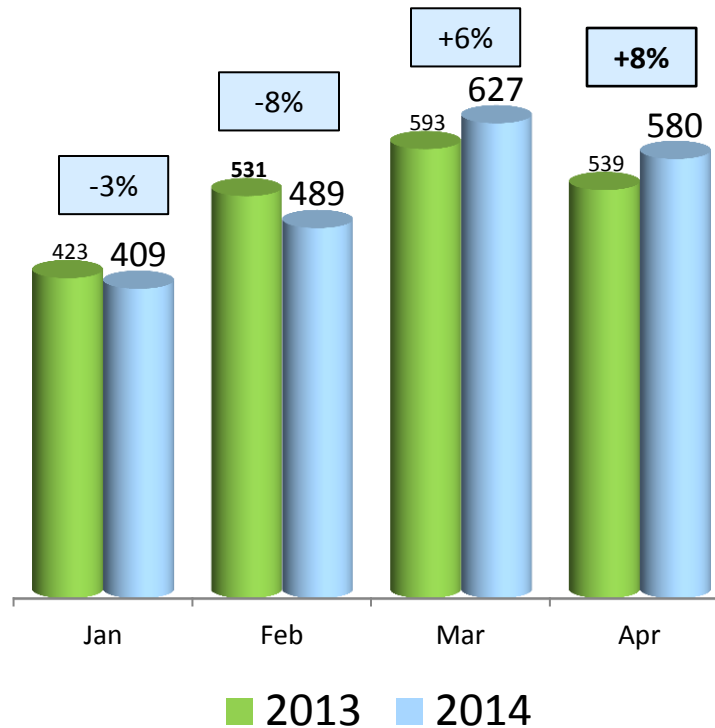
Employment growth and pro-business climates in TX & Southeast states are drivers for long-term growth

# Increasing home prices have clearly driven gross margins higher



Home price increases have more than covered cost increases, exceeding pro forma returns estimated in underwriting projects

# Total Monthly Orders



Monthly order trend in 2014 is actually improving in comparison to 2013