

Beazer Homes USA, Inc.

Q1 2017 Earnings Presentation



Charleston, SC – Bolton's Landing

Forward Looking Statements

This Quarterly Report on Form 10-Q (Form 10-Q) contains forward-looking statements. These forward-looking statements represent our expectations or beliefs concerning future results, and it is possible that the results described in this Form 10-Q will not be achieved. These forward-looking statements can generally be identified by the use of statements that include words such as "estimate," "project," "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will," "goal," "target" or other similar words or phrases. All forward-looking statements are based upon information available to us on the date of this Form 10-Q. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from the results discussed in the forward-looking statements, including, among other things, the matters discussed in this Form 10-Q in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations." Additional information about factors that could lead to material changes in performance is contained in Part I, Item 1A— Risk Factors of our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, as well as Item 1A of this Form 10-Q. These factors are not intended to be an all-inclusive list of risks and uncertainties that may affect the operations, performance, development and results of our business, but instead are the risks that we currently perceive as potentially being material. Such factors may include: (i) economic changes nationally or in local markets, changes in consumer confidence, declines in employment levels, inflation or increases in the quantity and decreases in the price of new homes and resale homes on the market; (ii) the cyclical nature of the homebuilding industry and a potential deterioration in homebuilding industry conditions; (iii) factors affecting margins, such as decreased land values underlying land option agreements, increased land development costs on communities under development or delays or difficulties in implementing initiatives to reduce our production and overhead cost structure; (iv) the availability and cost of land and the risks associated with the future value of our inventory, such as additional asset impairment charges or writedowns; (v) estimates related to homes to be delivered in the future (backlog) are imprecise, as they are subject to various cancellation risks that cannot be fully controlled; (vi) shortages of or increased prices for labor, land or raw materials used in housing production and the level of quality and craftsmanship provided by our subcontractors; (vii) our cost of and ability to access capital, due to factors such as limitations in the capital markets or adverse credit market conditions, and otherwise meet our ongoing liquidity needs, including the impact of any downgrades of our credit ratings or reductions in our tangible net worth or liquidity levels; (viii) our ability to reduce our outstanding indebtedness and to comply with covenants in our debt agreements or satisfy such obligations through repayment or refinancing; (ix) a substantial increase in mortgage interest rates, increased disruption in the availability of mortgage financing, a change in tax laws regarding the deductibility of mortgage interest for tax purposes or an increased number of foreclosures; (x) increased competition or delays in reacting to changing consumer preferences in home design; (xi) continuing severe weather conditions or other related events that could result in delays in land development or home construction, increase our costs or decrease demand in the impacted areas; (xii) estimates related to the potential recoverability of our deferred tax assets and a potential reduction in corporate tax rates that could reduce the usefulness of our existing deferred tax assets; (xiii) potential delays or increased costs in obtaining necessary permits as a result of changes to, or complying with, laws, regulations or governmental policies, and possible penalties for failure to comply with such laws, regulations or governmental policies, including those related to the environment; (xiv) the results of litigation or government proceedings and fulfillment of any related obligations; (xv) the impact of construction defect and home warranty claims, including water intrusion issues in Florida; (xvi) the cost and availability of insurance and surety bonds, as well as the sufficiency of these instruments to cover potential losses incurred; (xvii) the performance of our unconsolidated entities and our unconsolidated entity partners; (xviii) the impact of information technology failures or data security breaches; (xix) terrorist acts, natural disasters, acts of war or other factors over which the Company has little or no control; or (xx) the impact on homebuilding in key markets of governmental regulations limiting the availability of water. Any forward-looking statement speaks only as of the date on which such statement is made and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time-to-time and it is not possible for management to predict all such factors.

BEAZER HOMES

Introduction

Allan Merrill -	President & Chief Executive Officer
Bob Salomon -	EVP & Chief Financial Officer
David Goldberg -	Vice President, Treasurer

BEAZER HOMES

Strategy and Operational Priorities Update

Balanced Growth = Sales & Profit Growth + More Efficient Balance Sheet

1st Quarter Highlights

- Pace of 2.2 sales per community per month
- Average Selling Price of $338 thousand
- Gross Margin* +10bps YoY

FY17 Operational Priorities

- Gatherings
- California
- Mortgage Choice
- Cycle Time

BEAZER HOMES

*Excludes impairments, abandonments, interest included in cost of sales and certain warranty items

1st Quarter Highlights

- New Home Orders
  - Absorption rate of 2.2 sales per community per month
  - 1,005 net new orders
- Homebuilding Revenue
  - $336 million in Homebuilding Revenue, flat YoY
- Closings
  - Backlog conversion ratio of 51.9%
  - 995 Closings
- Average Sales Price (ASP)
  - ASP of $338 thousand, up 5.3% YoY
  - 12/31 Backlog ASP of approximately $346 thousand
- Gross Margin*
  - Gross Margin* of 20.5%, up 10 basis points YoY
- SG&A
  - 14.7% of Total Revenue. 13.9% excluding $2.7 million write-off
- Adjusted EBITDA**
  - $24.4 million of Adjusted EBITDA**
- Net Loss
  - Net Loss from Continuing Operations of $1.4 million

BEAZER HOMES

*Excludes impairments, abandonments, interest included in cost of sales and certain warranty items
**Details are included on the "Adjusted EBITDA Reconciliation" slide in the appendix

“2B-10” Plan Ranges vs. LTM Results

Increased ASP range by $10 thousand

		"2B-10" Plan Ranges	Q1 FY17 LTM Results
Revenue	Sales / Community/ Month	2.8 - 3.2	2.8
	Average Selling Price ("ASP")	$340k - $350k	$332.6k
	Average Community Count	170 - 175	162
	Total Revenue	$2.0 billion	$1.8 billion
Margin	HB Gross Margin %*	21% - 22%	20.6%
	SG&A (% of Total Revenue)**	11% - 12%	12.4%
	Adjusted EBITDA***	$200 million	$154.8 million

“2B-10” is a multi-year plan to reach $2 billion in Revenue and 10% EBITDA Margin

BEAZER HOMES

*Excludes impairments, abandonments, interest included in cost of sales and certain warranty items
**SG&A excludes the $2.7 million write-off of a legacy investment in a development site
***Details are included on the “Adjusted EBITDA Reconciliation” slide in the appendix

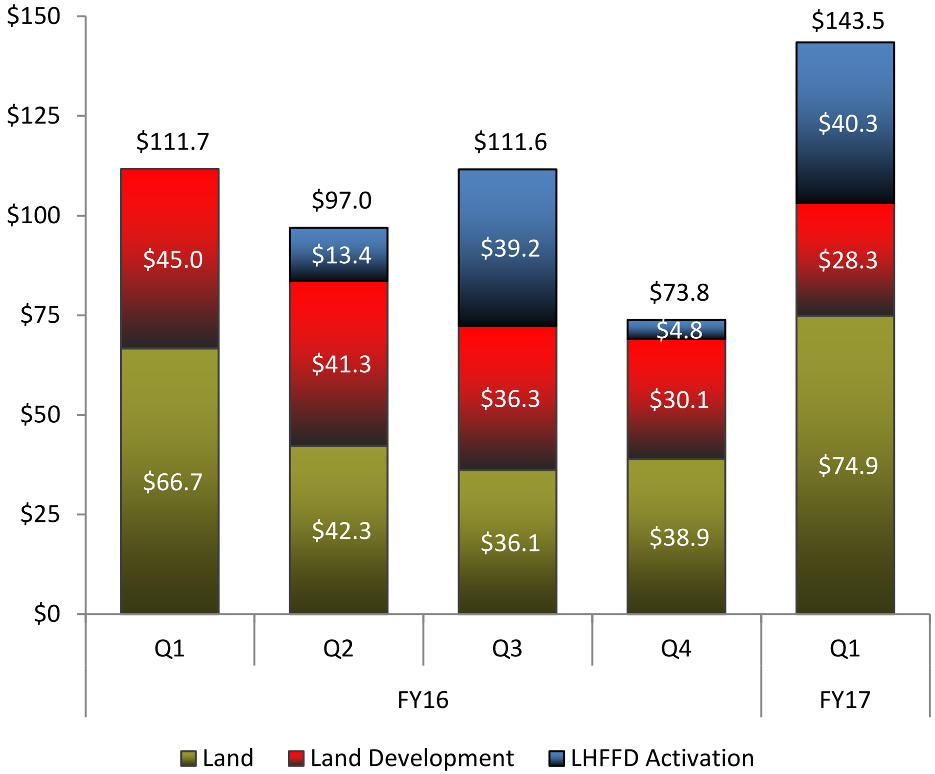
2nd Quarter Expectations

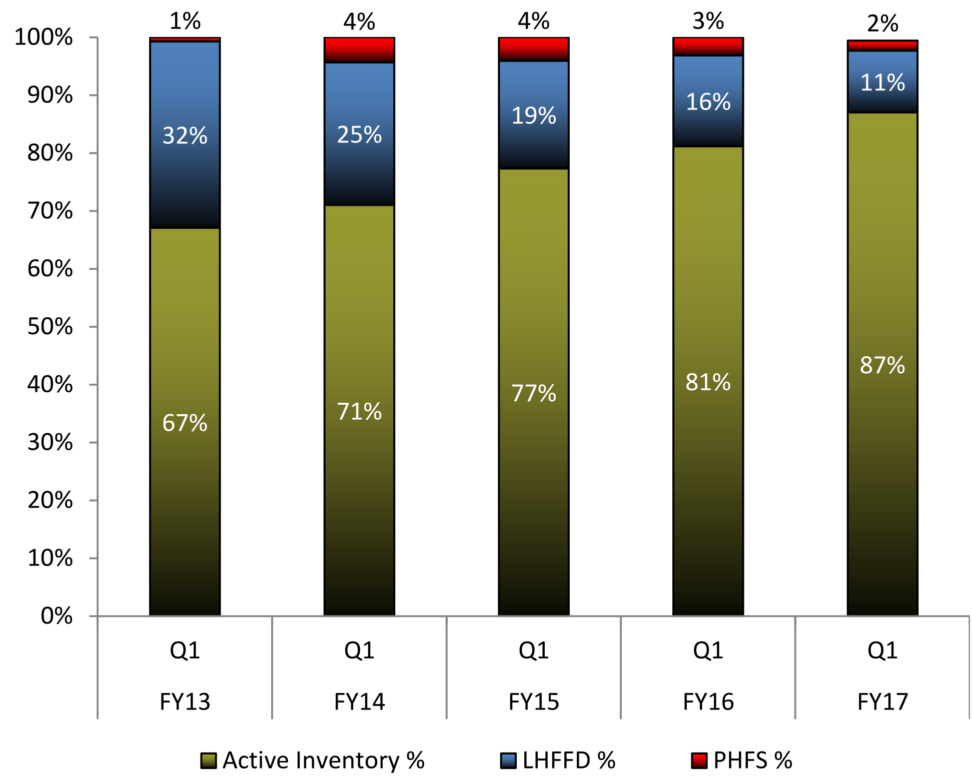
- New Home Orders
  - Sales pace flat to up slightly year over year
- Community Count
  - Down low single digits relative to end of December
- Closings
  - Backlog conversion similar to Q2 FY16
- Average Sales Price (ASP)
  - Around $340 thousand
- Gross Margin
  - Up year over year and relatively flat sequentially
- SG&A
  - SG&A leverage likely to be flat year over year
- Land Sale Revenue
  - Less than Q2 FY16 with little to no gross profit
- EBITDA
  - Comparable to last year
- Land Spend
  - Cash spend around $100 million, up year over year

BEAZER HOMES

Achieving Growth with Increased Capital Efficiency

At December 31, 2016:
23,300 total controlled lots
20,132 active lots



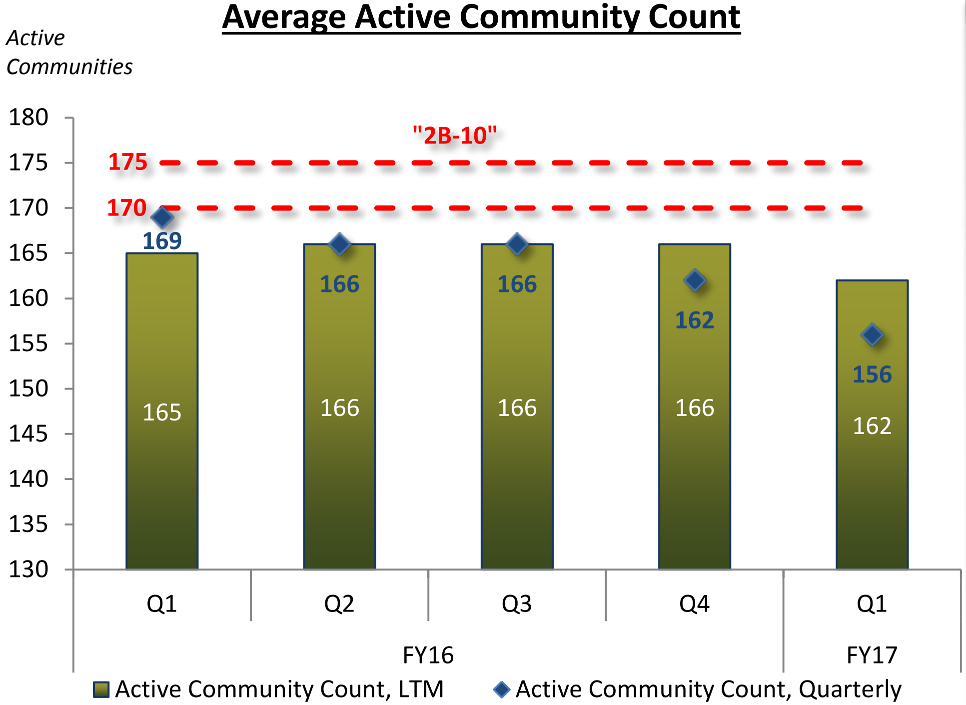


Option Lots as % of Active Lots				
Q1 FY13	**Q1 FY14**	**Q1 FY15**	**Q1 FY16**	**Q1 FY17**
24%	**28%**	**26%**	**29%**	**30%**

BEAZER HOMES

Community Count

Average Active Community Count



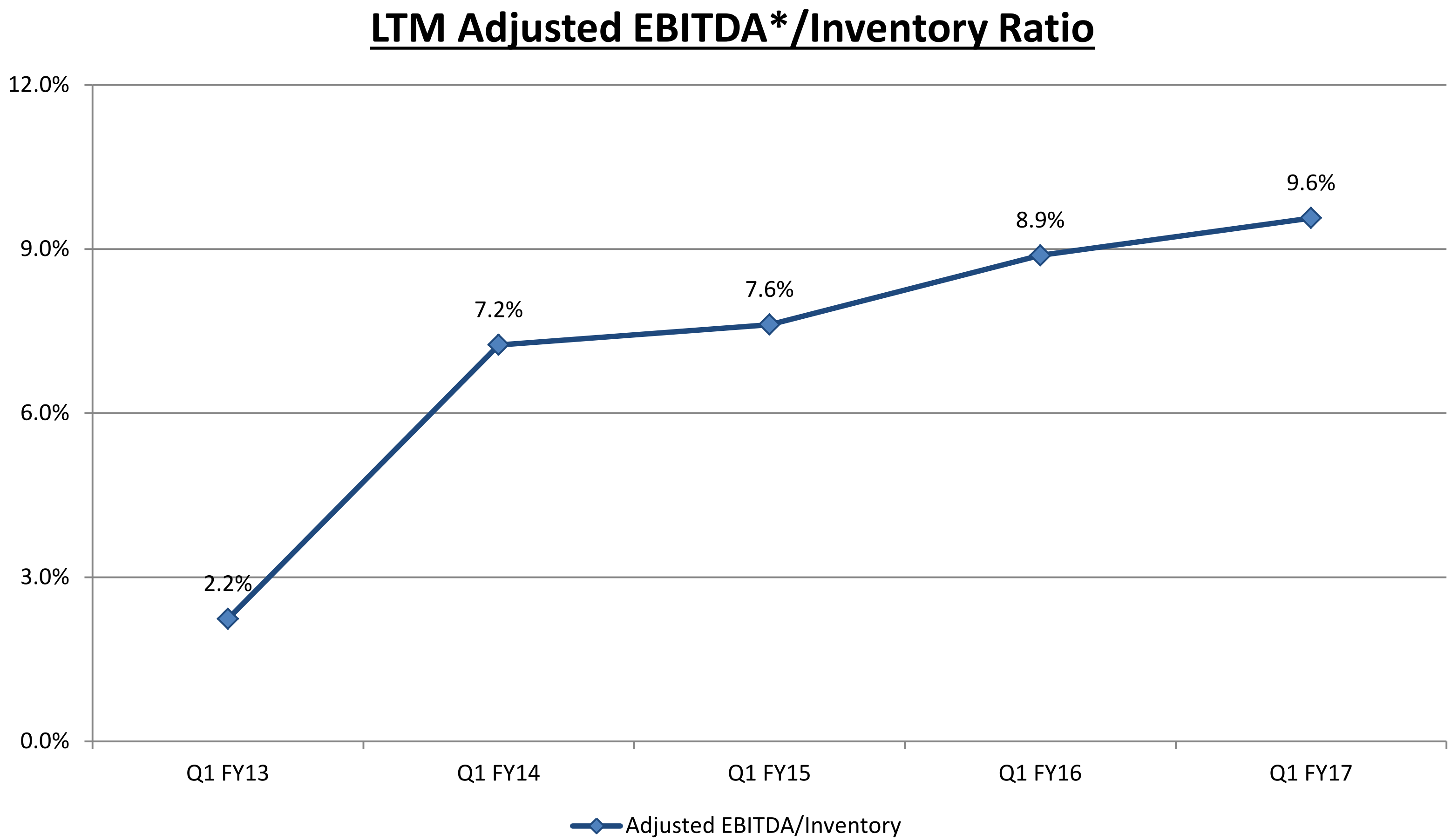
Community Count Activity

Active Communities at 12/31/2016	**154**
Communities Opening in Next 6 Months	**42**
Communities Approved But Not Yet Closed	**44**
Near-Term Closeouts (next +/- 6 months)	**40**

The information above is as of 12/31/16

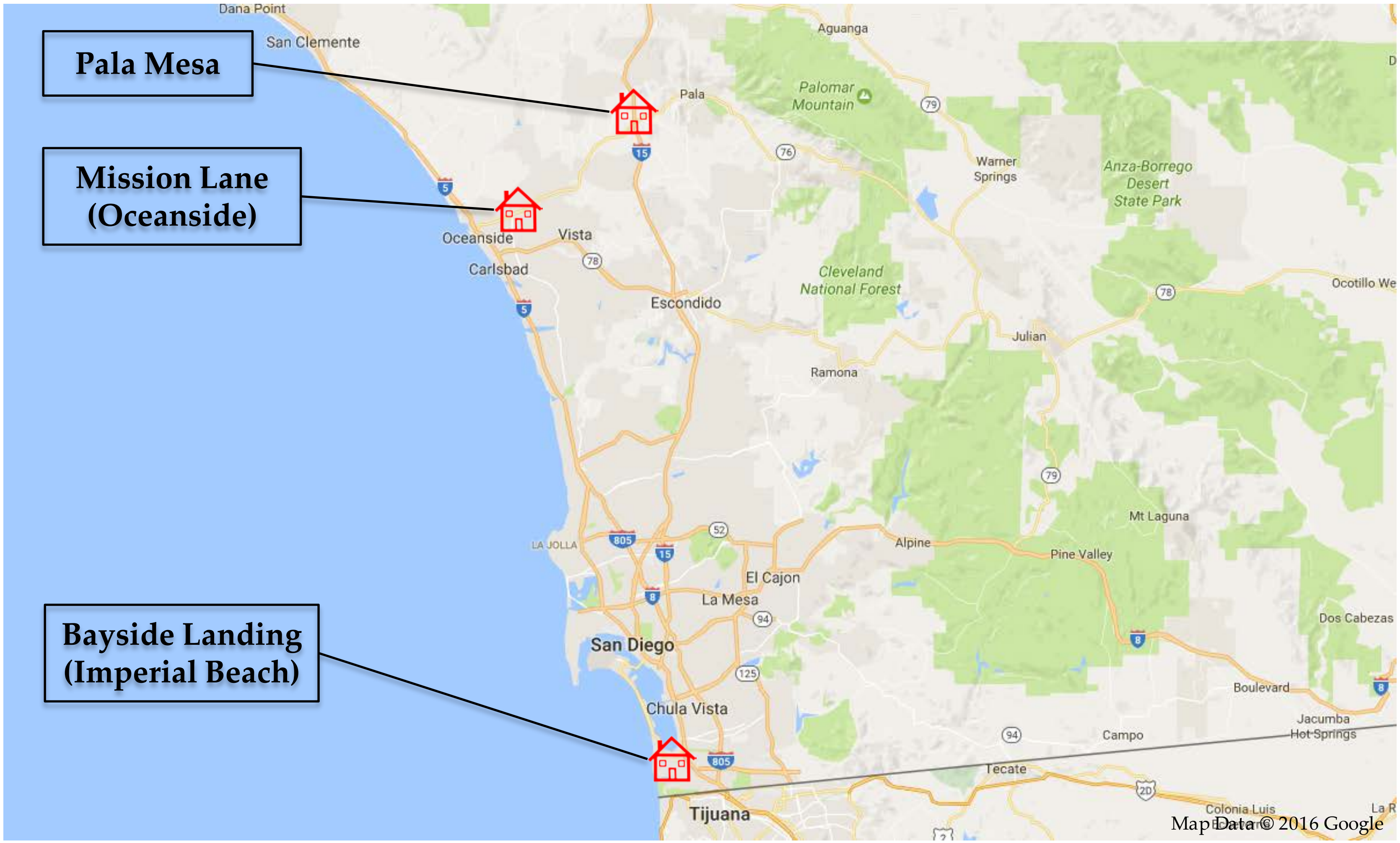
Note: An active community has achieved at least 2 initial sales and has at least 2 unsold units remaining

Improving Capital Efficiency



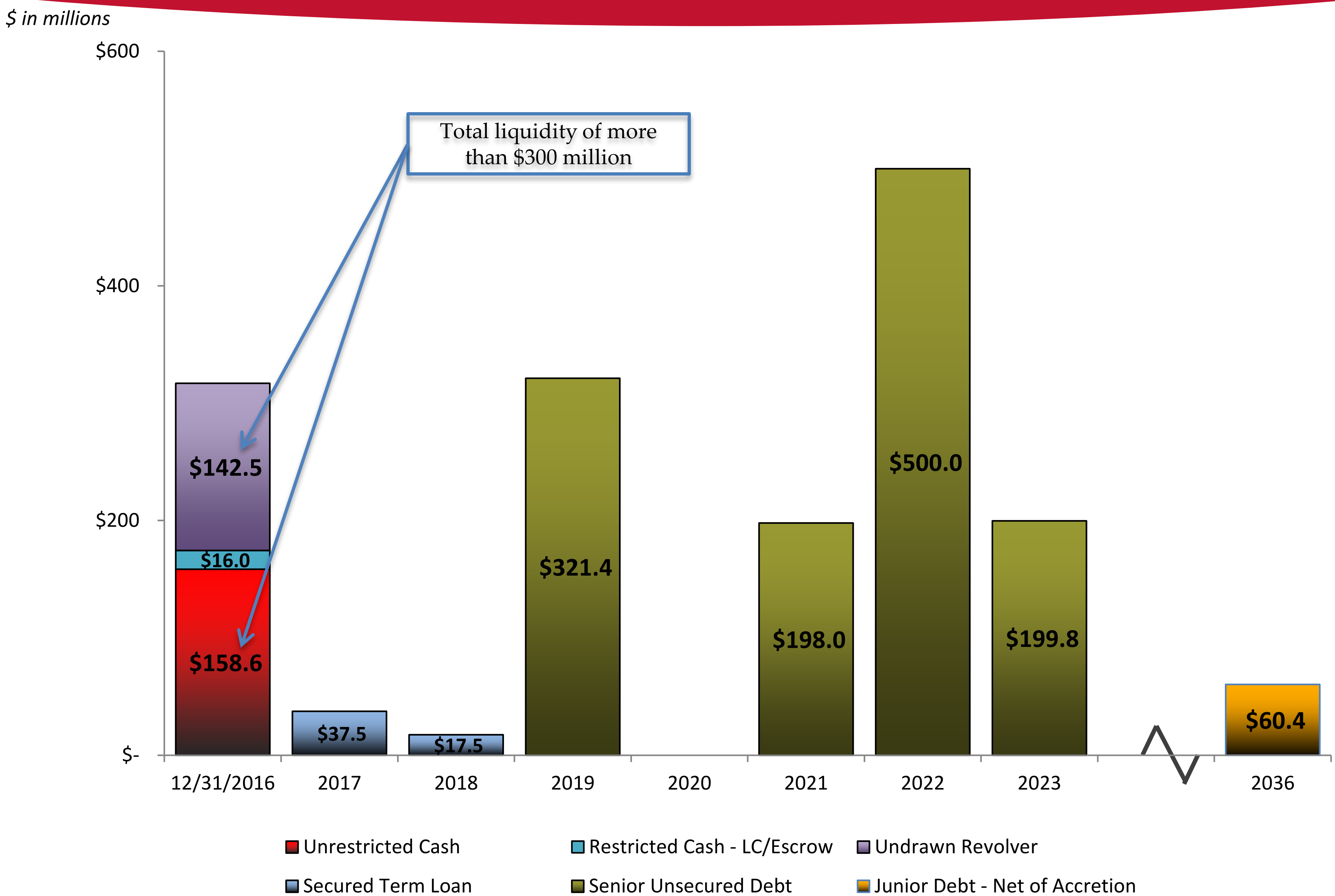
*Adjusted EBITDA excludes the impact of certain warranty items (net of expected insurance recoveries), a litigation settlement recorded in discontinued operations and the write off of a legacy investment in a development site

San Diego Communities



BEAZER HOMES

Maturity Schedule as of 12/31/2016



Notes:

-There are an additional $14.8 million of Secured Notes on the balance sheet with various maturity dates

-Years are calendar years

Review of FY17 Goals

- Deploy capital very efficiently
- Growing community count with emphasis on our high-performing Gatherings communities
- Keep overhead per home closed near bottom of our peer group
- Reduce debt by at least an additional $100 million through Fiscal 2018

BEAZER HOMES

Appendices

Q1 Results

$ in millions, except ASP

	Q1 FY16	Q1 FY17	Δ
Profitability			
Total Revenue	$ 344.4	$ 339.2	(1.5)%
Adjusted EBITDA*	$ 25.9	$ 24.4	$ (1.5)
Net Income/Loss	$ 1.0	$ (1.4)	$ (2.4)
Unit Activity			
Orders	923	1,005	8.9%
Closings	1,049	995	(5.1)%
Average Sales Price ($000's)	$ 320.9	$ 337.8	5.3%
Cancellation Rate	25.8%	21.2%	(460 bps)
Active Community Count, Avg**	169	156	(7.9)%
Sales/Community/Month	1.8	2.2	0.4
Margins			
HB Gross Margin***	20.4%	20.5%	10 bps
SG&A (% of Total Revenue)****	13.2%	13.9%	70 bps
Balance Sheet			
Unrestricted Cash	$ 144.9	$ 158.6	$ 13.7
Land & Development Spending	$ 111.7	$ 103.2	$ (8.5)

Note: Variances are calculated using un-rounded numbers
*Details are included on the "Adjusted EBITDA Reconciliation" slide in the appendix
**Active Community Count was 169 at 12/31/2015 and 154 at 12/31/2016
***Excludes impairments, abandonments, interest included in cost of sales and certain warranty items
****SG&A excludes the $2.7 million write-off of a legacy investment in a development site

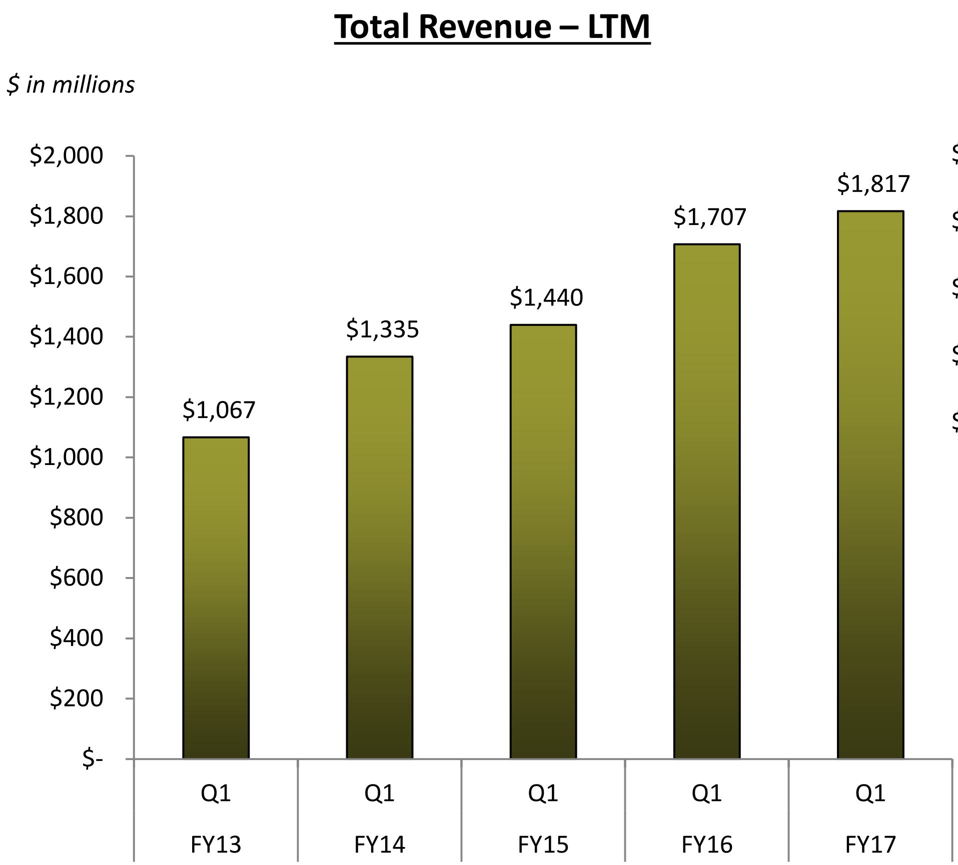
BEAZER HOMES

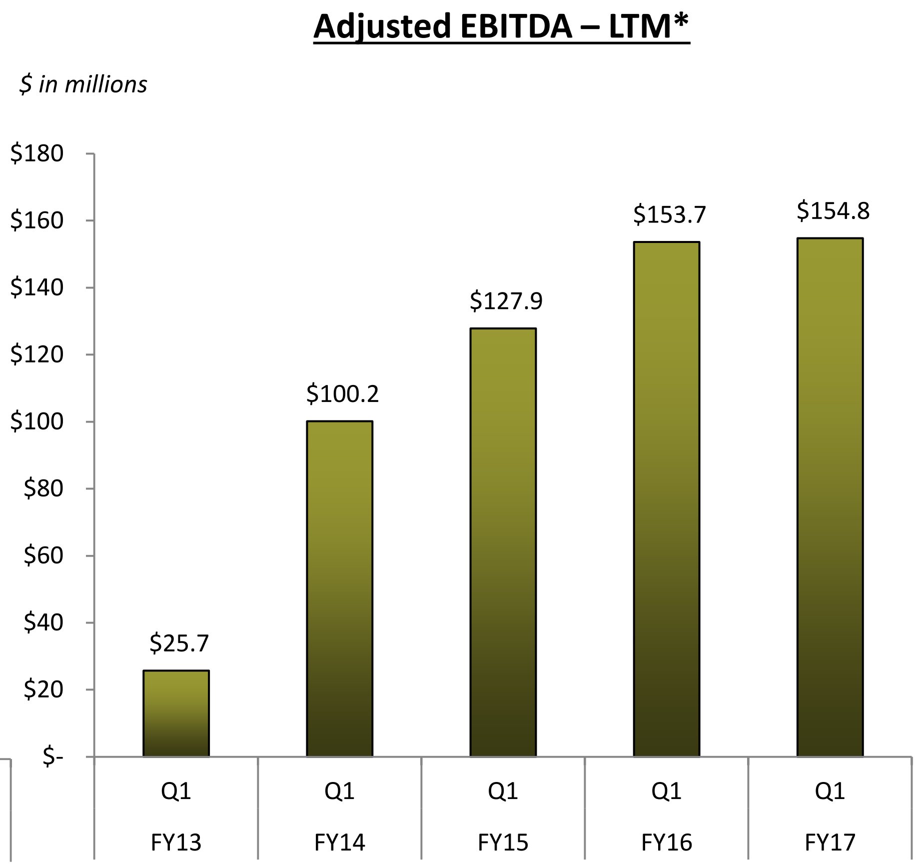
Backlog Detail

		Q1 FY16		Q1 FY17
Quarter Ending Backlog (units)		1,912		1,926
Quarter Ending Backlog ($ in millions)	$	634.6	$	666.1
ASP in Backlog ($ in thousands)	$	331.9	$	345.8
Quarter Beg. Backlog		2,038		1,916
Scheduled to Close in Future Qtrs.		(1,070)		(933)
Backlog Scheduled to Close in the Qtr.		968		983
Backlog Activity:				
Cancellations		(91)		(92)
Pushed to Future Quarters		(84)		(142)
Close Date Brought Forward		45		66
Sold & Closed During the Qtr		211		180
Total Closings in the Quarter		1,049		995
Backlog Conversion Rate		**51.5%**		**51.9%**
Closings as % of BL Scheduled to Close in the Qtr.		**108.4%**		**101.2%**

BEAZER HOMES

Increases in LTM Revenue and EBITDA

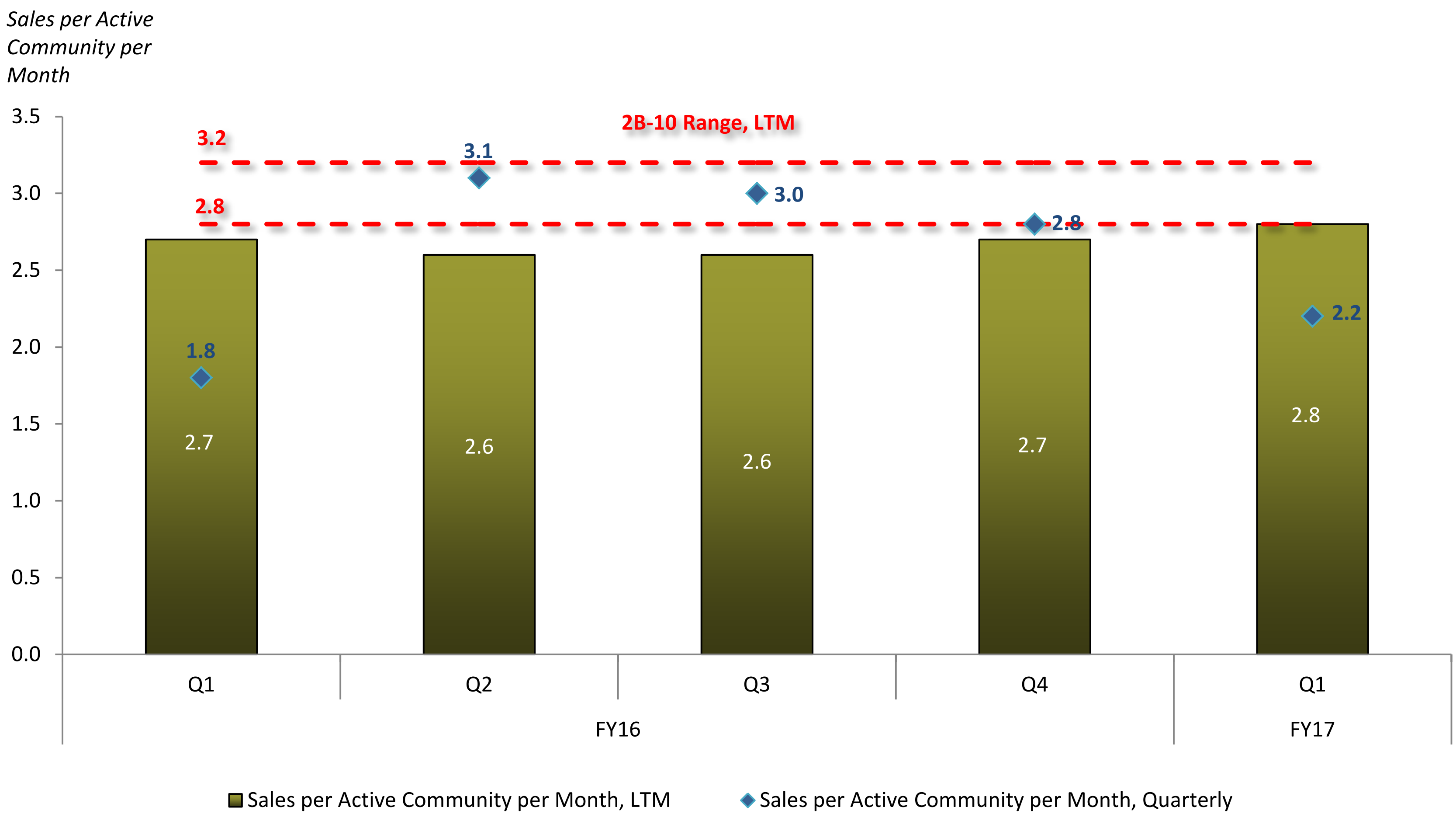




BEAZER HOMES

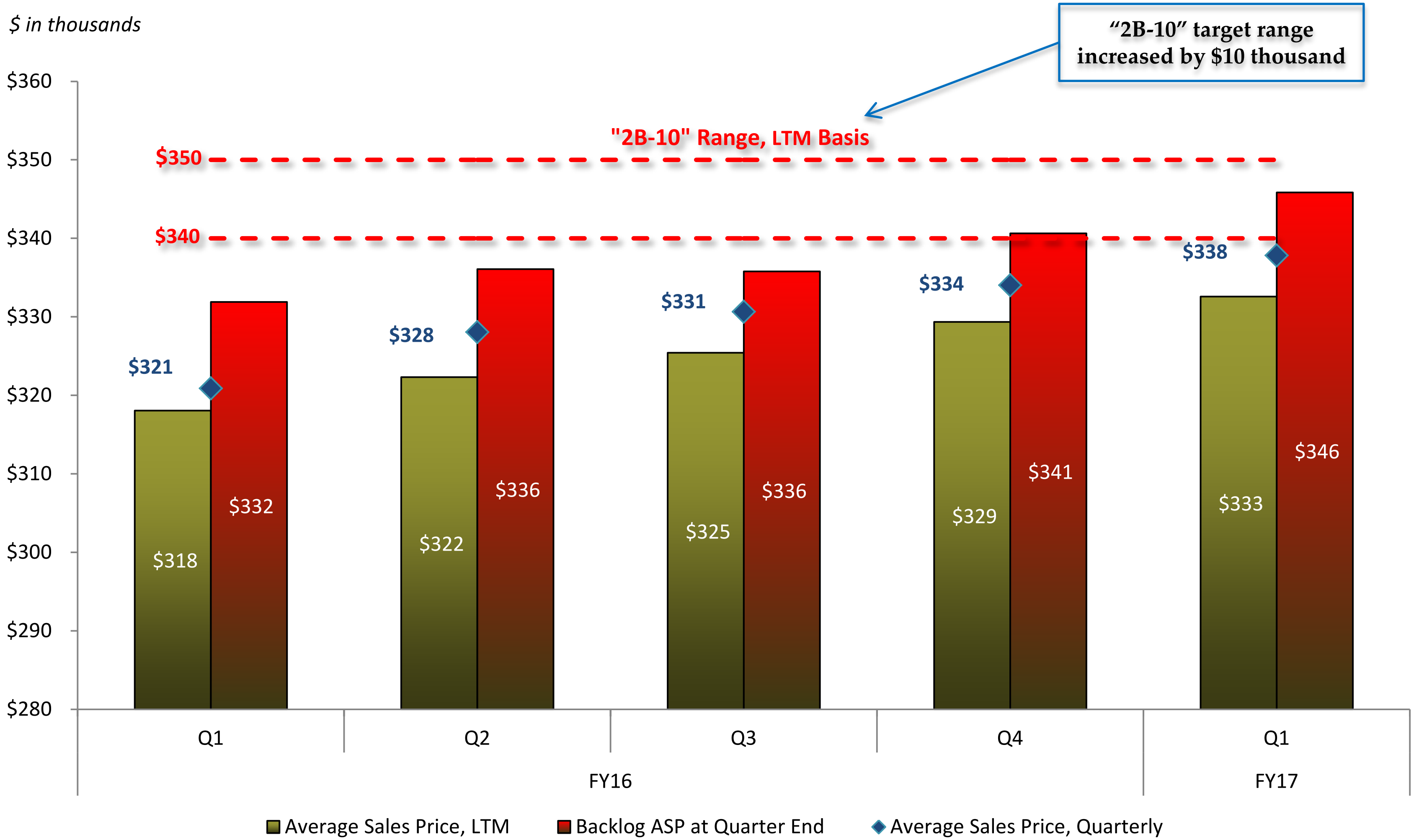
*Adjusted EBITDA excludes the impact of certain warranty items (net of expected insurance recoveries), a litigation settlement recorded in discontinued operations, and the write off of a legacy investment in a development site

Sales Pace within "2B-10" Target Range



Note: An active community has achieved at least 2 initial sales and has at least 2 unsold units remaining

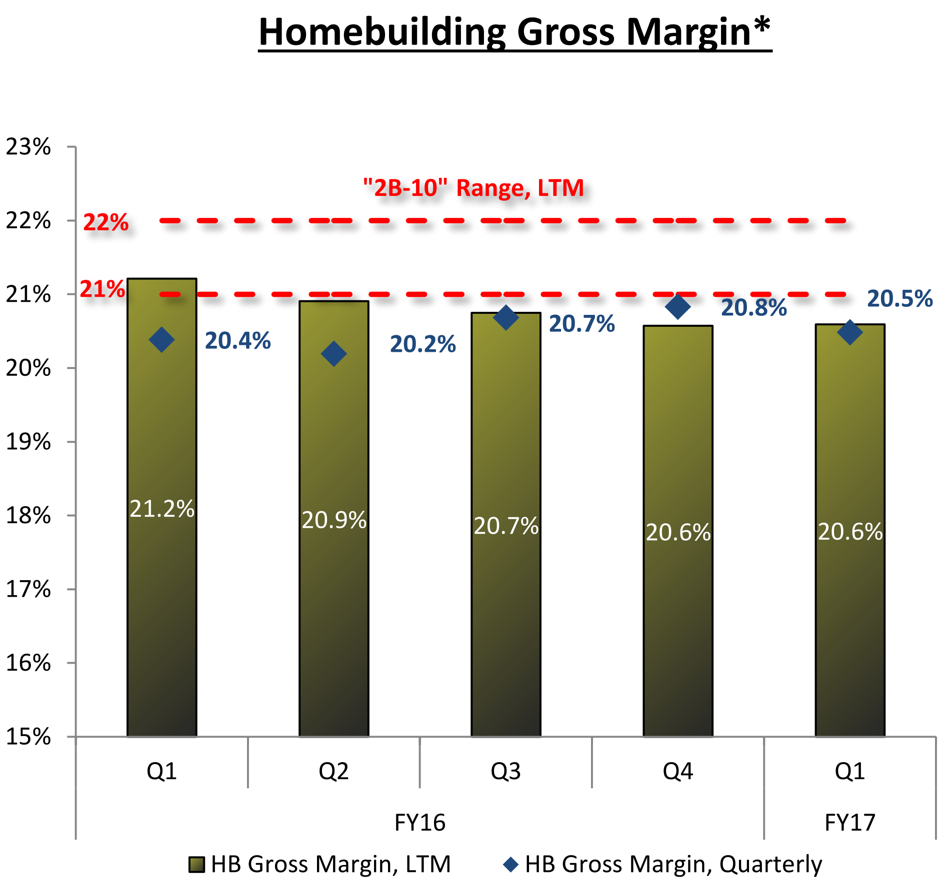
Backlog ASP Suggests Further Growth

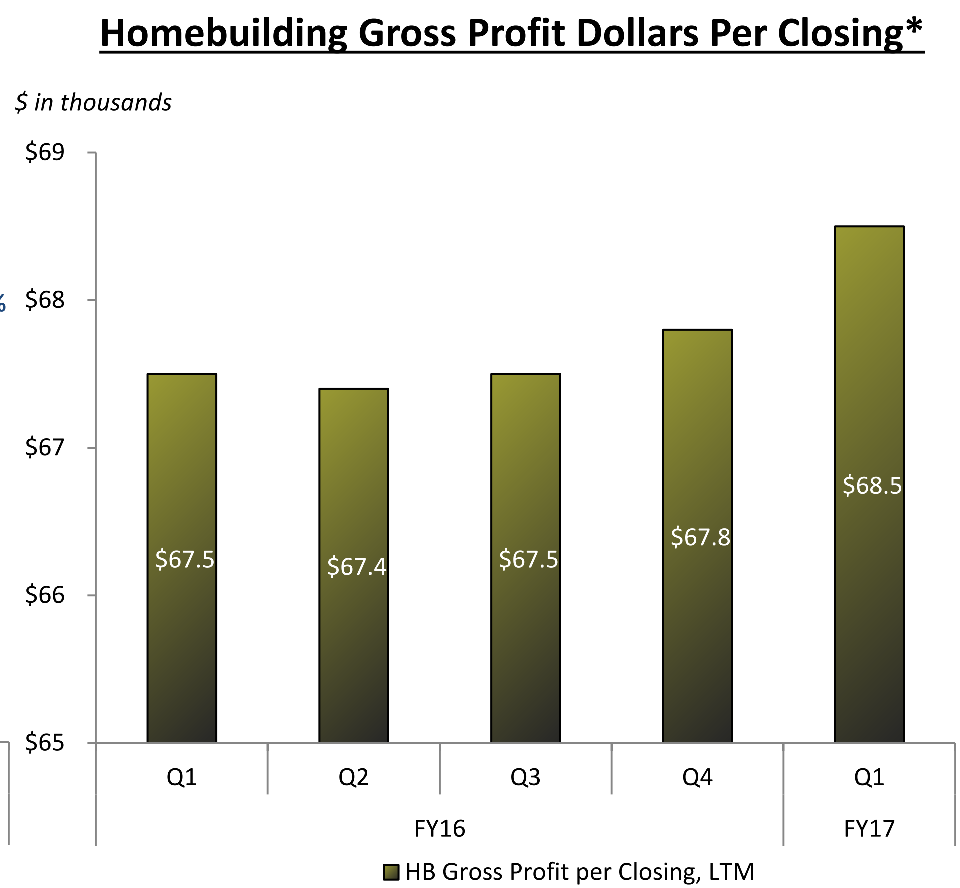


BEAZER HOMES

2B 10

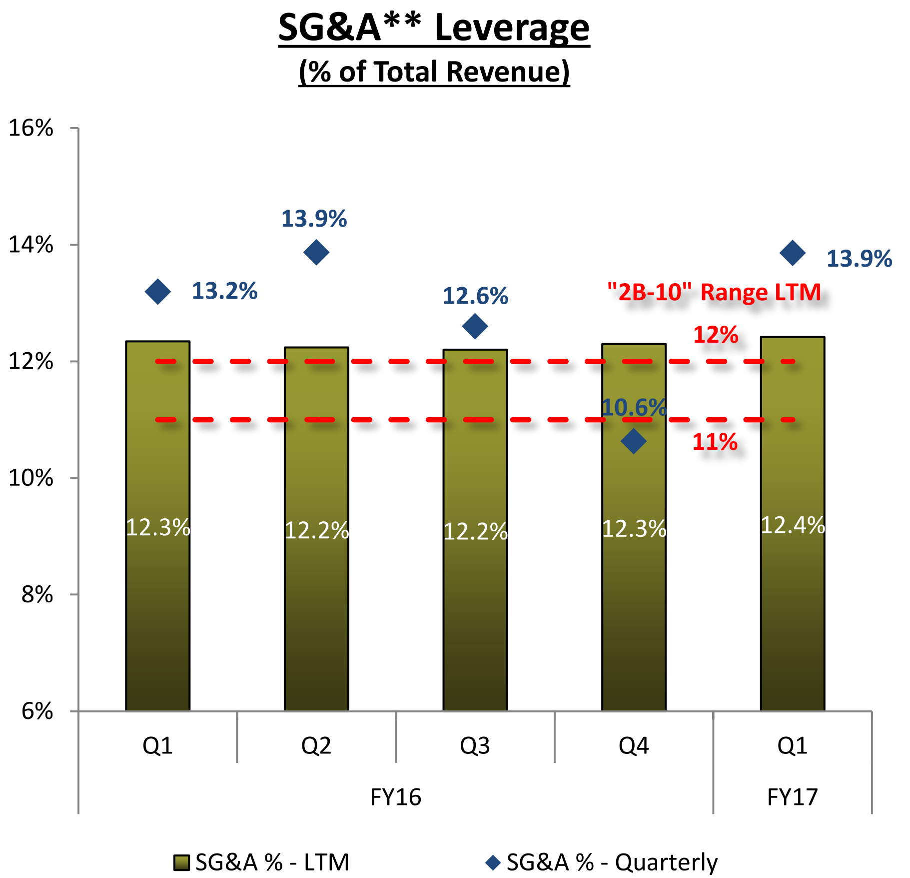
Gross Margin Approaching "2B-10" Range

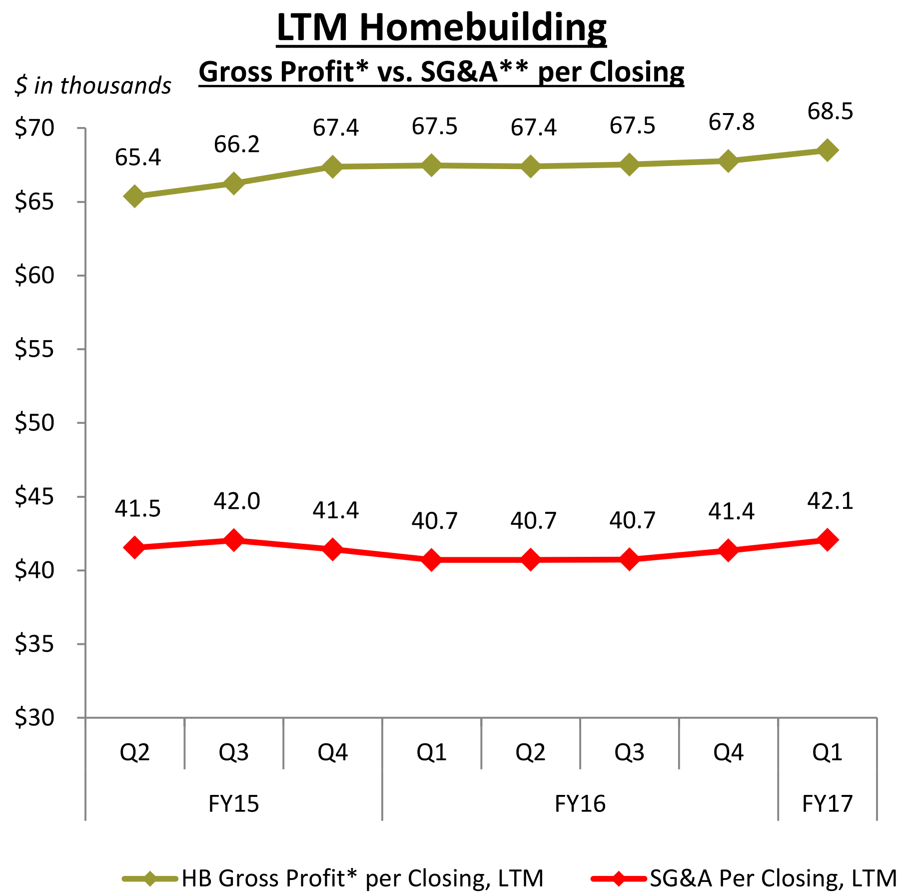




*Excludes impairments, abandonments and interest included in cost of sales as well as certain warranty items

SG&A Leverage as Revenue Grows





*Excludes impairments, abandonments, interest included in cost of sales and certain warranty items
** Q1 FY17 SG&A excludes the $2.7 million write-off of a legacy investment in a development site

Capital Efficiency Strategies: Impact on Margin

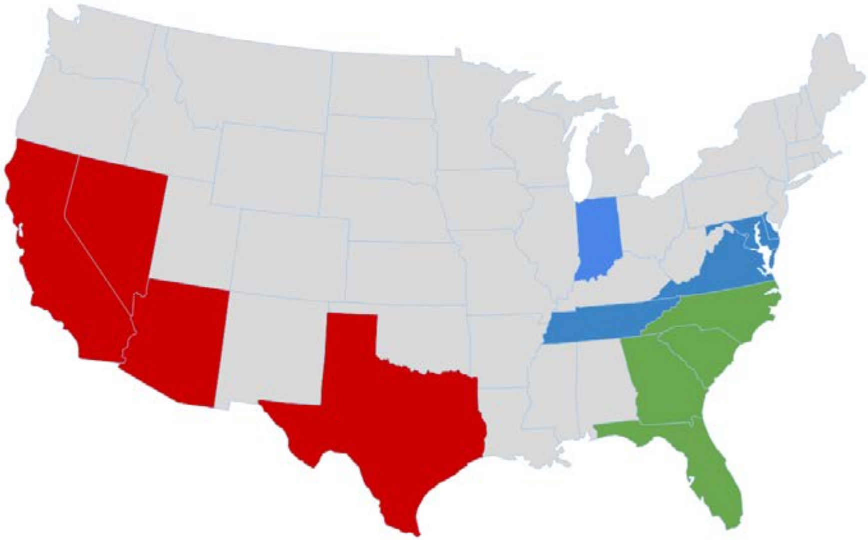
Fiscal Year 2017				
Capital Strategy	**Rationale**	**Margin Impact**	**% of Revenue**	**Total Impact**
Former LHFFD Assets	Cash generation Incremental EBITDA	~ 800 bps	~ 5%	~ 40 bps
Land Banking Transactions	Incremental EBITDA Higher IRR on investments	~ 400 bps	~ 15%	~ 60 bps
				~ 100 bps

Fiscal Year 2017 impact similar to Fiscal Year 2016

BEAZER HOMES

Geographic Mix Impacts Year-Over-Year Q1 ASP

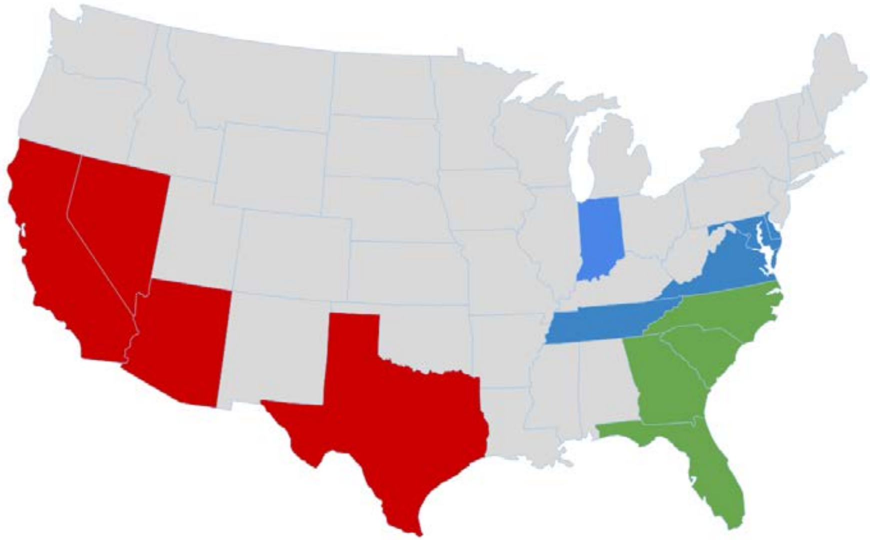
	Q1 FY16 ASP	Q1 FY16 Closings	Q1 FY17 ASP	Q1 FY17 Closings	Change in ASP ($)	Change in ASP (%)	Change in Mix
West	$320K	46.9%	$337K	51.3%	$17K	5.4%	4.4%
East	$367K	24.5%	$374K	21.8%	$7K	2.0%	-2.7%
SE	$284K	28.6%	$310K	26.9%	$27K	9.4%	-1.7%



Note: Variances are calculated using un-rounded numbers

Geographic Mix Impacts Year-Over-Year Q1 Margin

	Q1 FY16 GM%	Q1 FY16 Closings	Q1 FY17 GM%	Q1 FY17 Closings	Change in GM%	Change in Mix
West	20.5%	46.9%	21.4%	51.3%	90bps	4.4%
East	15.5%	24.5%	16.5%	21.8%	100bps	-2.7%
SE	19.8%	28.6%	19.5%	26.9%	(30)bps	-1.7%



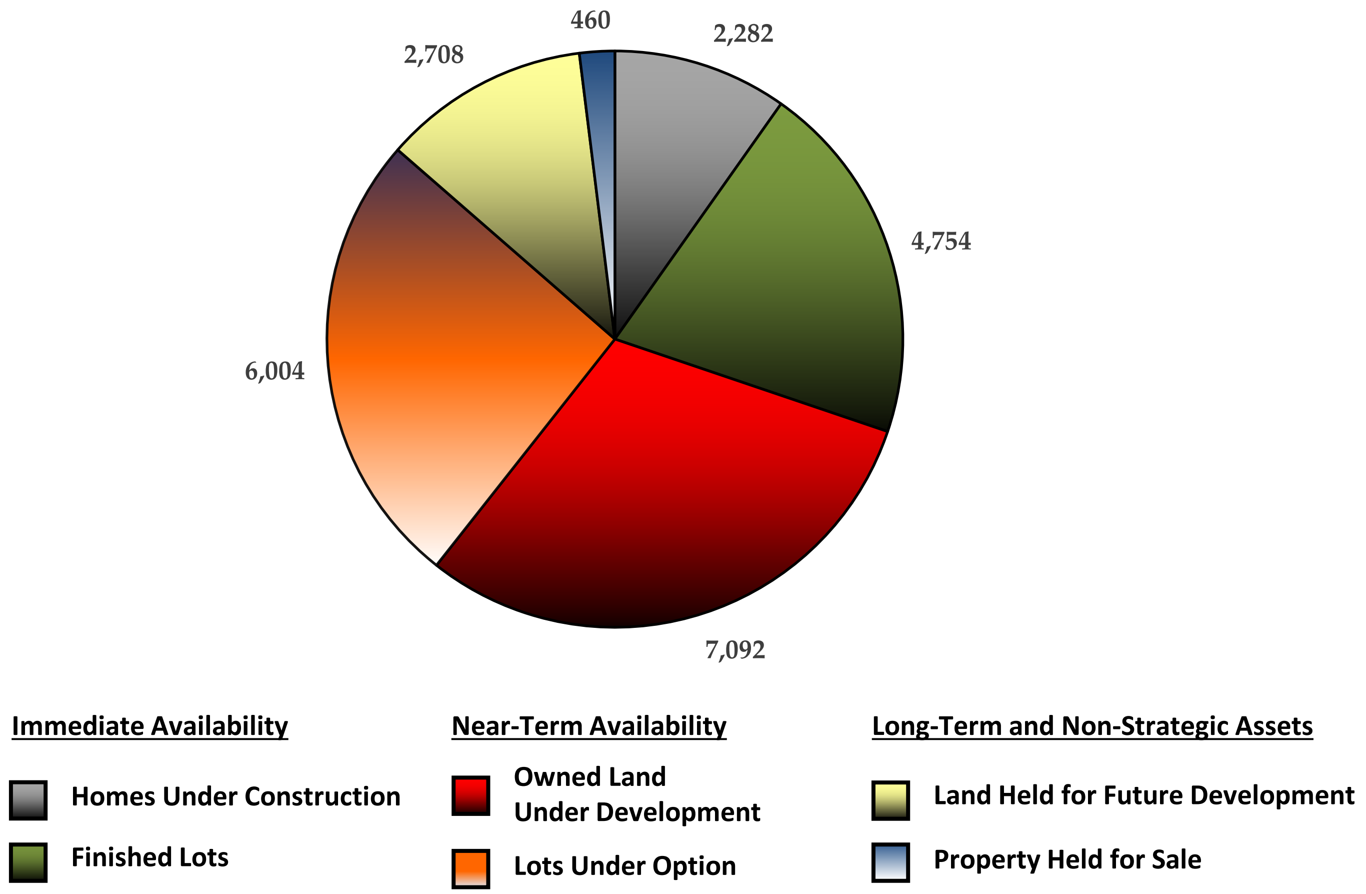
BEAZER HOMES

Note: Segment gross margin excludes required capitalization of indirects, impairments, interest included in cost of sales, and certain Florida warranty items

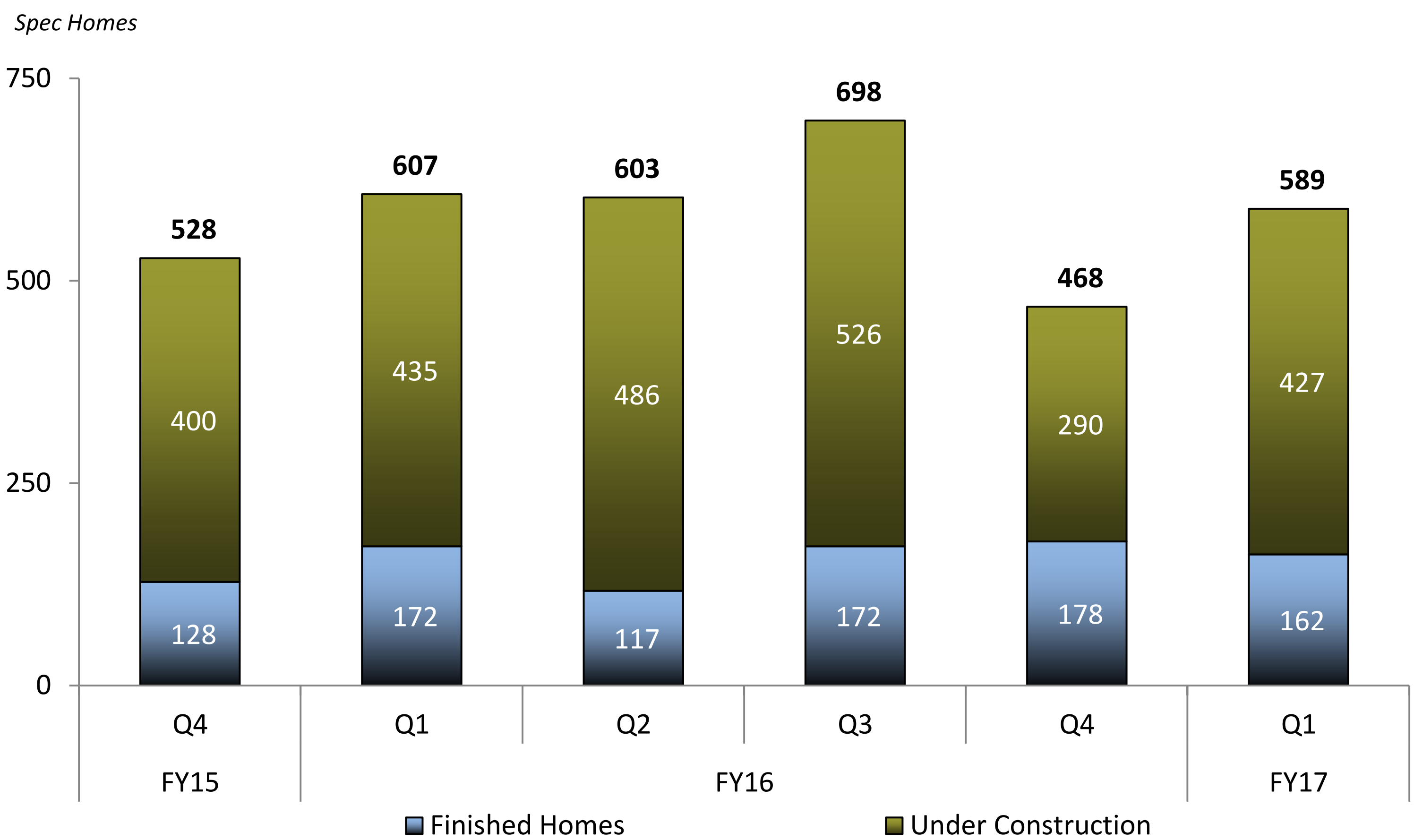
Land Position

Lot Position at December 31, 2016

23,300 total controlled lots
20,132 active lots



Available Specs



Note: Spec count as of each quarter-end

Debt Structure

(In thousands)	Maturity Date	Call Date	Call Price	December 31, 2016	September 30, 2016
5 3/4% Senior Notes	June 2019	3/15/2019	100.000	321,393	321,393
7 1/2% Senior Notes	September 2021	2/21/2017	105.625	198,000	198,000
8 3/4% Senior Notes	March 2022	3/15/2019	104.375	500,000	500,000
7 1/4% Senior Notes	February 2023	2/1/2018	103.625	199,834	199,834
Unamortized debt premiums (discounts)				2,260	2,362
Unamortized debt issuance costs				(13,314)	(14,063)
Total Senior Notes, net				**1,208,173**	**1,207,526**
Term Loan	March 2018			53,080	52,669
Junior Subordinated Notes	July 2036			60,387	59,870
Other Secured Notes payable	Various Dates			14,843	11,813
Total debt				**$ 1,336,483**	**$ 1,331,878**

Notes:

Term Loan net of unamortized discount and debt issuance costs of $1,920 and $2,331, respectively

Junior Subordinated Notes net of unamortized accretion of $40,387 and $40,903, respectively

BEAZER HOMES

Adjusted EBITDA Reconciliation

	Three Months Ended December 31,			LTM Ended December 31,		
	2016	2015	16 vs 15	2016	2015	16 vs 15
Net income (loss)	$ (1,429)	$ 999	$ (2,428)	$ 2,265	$ 367,433	$ (365,168)
Expense (benefit) from income taxes	(2,579)	506	(3,085)	13,139	(324,724)	337,863
Interest amortized to home construction and land sales expenses, capitalized interest impaired and interest expense not qualified for capitalization	20,896	21,083	(187)	104,523	89,035	15,488
Depreciation and amortization and stock-based compensation amortization	4,859	4,747	112	21,864	20,505	1,359
Inventory impairments and abandonments	-	1,356	(1,356)	13,216	4,465	8,751
Loss on debt extinguishment	-	828	(828)	12,595	908	11,687
Adjusted EBITDA	**$ 21,747**	**$ 29,519**	**$ (7,772)**	**$ 167,602**	**$ 157,622**	**$ 9,980**
Unexpected warranty costs related to Florida stucco issues (net of expected insurance recoveries)	-	(3,612)	3,612	-	(3,612)	3,612
Additional insurance recoveries from third-party insurer	-	-	-	(15,500)	-	(15,500)
Litigation settlement in discontinued operations	-	-	-		(340)	340
Write-off of deposit on legacy land investment	2,700	-	2,700	2,700	-	2,700
Adjusted EBITDA excluding unexpected warranty costs and a litigation settlement in discontinued operations	**$ 24,447**	**$ 25,907**	**$ (1,460)**	**$ 154,802**	**$ 153,670**	**$ 1,132**

BEAZER HOMES

Deferred Tax Asset

($ in millions)	December 31, 2015	December 31, 2016
Deferred Tax Assets	$ 382.8	$ 378.9
Valuation Allowance	(57.7)	(66.3)
Net Deferred Tax Assets	$ 325.1	$ 312.7

As of December 31, 2016, our valuation allowance of $66.3 million related to our deferred tax assets remains consistent with the determinations we made during the period ended September 30, 2016. See Form 10-K for additional detail.

BEAZER HOMES