

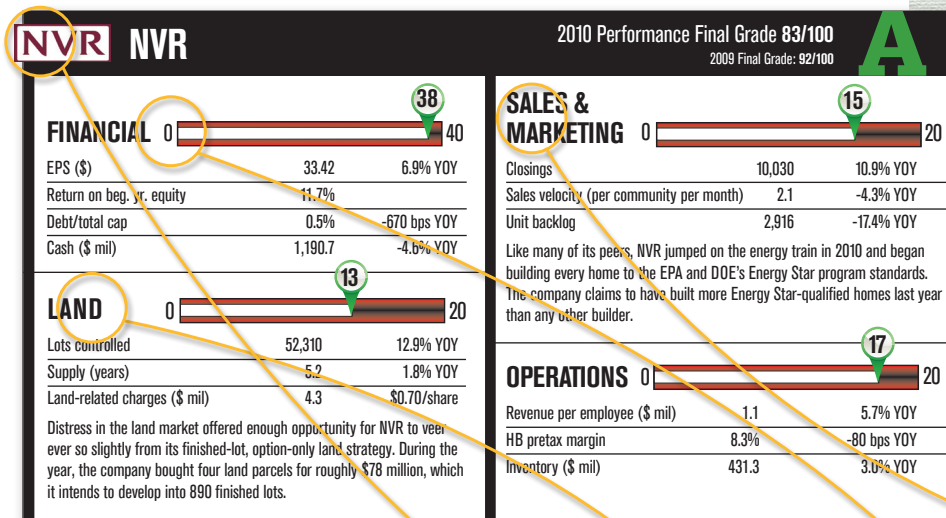
Big Builder

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www.bigbuilderonline.com

hanley wood

2010 Public Builder Report Card



NVR CONTINUED to earn its reputation as home building analysts' sweetheart stock with its positive earnings and above-average pretax margins. An added bonus was a \$300 million share repurchase in July. The famously tight-lipped company remained a powerhouse in the field, posting double-digit closing growth and flattish new orders for the year. The company remained on the prowl for new opportunities, even putting up a stalking horse bid of \$170 million-plus to buy bankrupt Orleans Homebuilders. Although the acquisition would have given NVR access to land positions in key geographic markets, the deal fell through. All the same, the Virginia-based company tied up more lots during the year, boosting its controlled lot count by double digits and increasing its year-end community count by nearly 5.0%. About the biggest weakness on the company's balance sheet—it has nearly no debt and more than a billion in cash—was its diminished backlog.

INSIDE THE REPORT CARDS

WHO'S IN, WHO'S OUT:

The 2010 coverage universe includes 14 home building companies. While this is the same number as in our 2009 analysis, this year's coverage universe excluded Brookfield Homes, which was omitted following the announcement of its merger with Brookfield Properties, and included Avatar Holdings once again, after a financial filing deadline forced it to be excluded from last year's report. As noted above, publicly traded Comstock Homebuilding Cos. was excluded because of financial requirements.

THE END OF THE LOT LINE:

BIG BUILDER projects that the market in 2011 will remain relatively flat, which means years supply of land is calculated by dividing builders' lot counts by their 2010 closings numbers.

FUNNY MONEY:

BIG BUILDER's financial analysis has always focused on builders' unrestricted cash counts. However, builders are increasingly moving cash reserves into marketable securities and other short-term investments, which offer a better yield while remaining very liquid. For that reason, many builders' cash count declines may be misleading.

THE NEED FOR SPEED:

BIG BUILDER's sales velocity metric measures builders' average number of new orders per community per month. Community counts used in the calculation reflect end-of-year community counts. However, because companies such as Beazer Homes USA and D.R. Horton do not disclose community counts, approximations have been provided by analyst Josh Levin at Citi.

The **BIG BUILDER Public Builder Report Card** is an annual data presentation that combines original and researched information with proprietary analysis. This year's presentation of key financial and operational data for the public builders includes information from investor presentations, company filings with the Securities and Exchange Commission, and analyst reports. Moreover, in cases where select companies failed to disclose key metrics, BIG BUILDER used approximations from Adam Rudiger at Wells Fargo and Josh Levin at Citi. In addition, we incorporated feedback from investor relations and senior financial officers.

This year, our home builder universe includes 14 companies traded on the U.S. stock exchange whose primary business is that of building homes. One publicly held company was excluded from our 2010 analysis: Comstock Homebuilding Cos., because its stock failed to trade above \$1 for the whole of 2010.

The evaluation breaks quantitative data into four categories: financial, land, sales and marketing, and operations. Because a public's overall performance is so closely tied to financials, we weight this category more heavily. Hanley Wood controller Ted Southern developed BIG BUILDER's analysis model in 2009 based largely on a structure created by former housing analyst Barbara Allen in 2006.

Public Builder Financials

BUILDER	2010 GRADE/ [2009 GRADE]	EPS (\$)	TOTAL REVENUE (\$ mil)	HB REVENUE (\$ mil)	CASH (\$ mil)	DEBT PER SHARE (\$)	DEBT/ TOTAL CAP (%)	EQUITY PER DIL. SHARE (\$)	HB PRE-TAX MARGIN (%)	UNITS CLOSED	BACKLOG VALUE (\$ mil)	INVENTORY (\$ mil)	YEARS SUPPLY OF LOTS
Avatar Homes	C- [n/a]	(3.07)	57.4	51.2	115.5	5.97	15.2	33.34	-73.0	184	11.4	326.7	131.2
Beazer Homes USA	C- [C]	(1.74)	907.1	901.9	451.7	17.10	78.9	4.58	-12.9	4,105	199.5	1,245.8	7.1
D.R. Horton	A- [A-]	0.11	4,056.2	3,955.2	1,200.1	6.35	43.9	8.11	2.3	18,983	795.4	3,411.9	6.3
Hovnanian Enterprises	D [D]	(3.78)	1,304.8	1,254.0	311.0	20.96	132.2	(5.11)	-14.2	4,483	367.6	948.2	6.9
KB Home	C- [B]	(0.90)	1,590.0	1,575.5	904.4	23.09	73.8	8.22	-2.3	7,346	263.8	1,896.7	5.4
Lennar Corp.	A- [B-]	0.50	3,074.0	2,631.3	1,207.2	20.79	59.8	13.98	2.9	10,859	407.3	4,866.4	9.6
M.D.C. Holdings	B+ [A]	(1.40)	958.7	921.0	572.2	26.65	55.8	21.10	-1.3	3,245	269.0	787.7	3.8
Meritage Homes Corp.	B+ [B+]	0.22	941.7	940.4	104.0	18.90	54.8	15.60	2.7	3,700	201.8	738.9	4.1
M/I Homes	B [B+]	(1.42)	616.4	602.1	81.2	13.20	44.6	16.38	-0.3	2,434	135.0	450.9	4.2
NVR	A [A+]	33.42	3,048.1	2,980.8	1,190.7	1.52	0.5	282.30	8.3	10,030	958.3	431.3	5.2
PulteGroup	C [B-]	(2.90)	4,569.3	4,419.8	1,470.6	8.96	61.4	5.64	-25.2	17,095	1,057.0	4,781.8	8.6
The Ryland Group	C [B-]	(1.93)	1,063.9	1,026.3	226.7	19.97	63.8	11.35	-1.5	4,245	297.0	799.4	5.5
Standard Pacific Homes	C+ [B+]	(0.05)	924.9	908.6	720.5	3.83	68.0	1.81	5.6	2,646	137.4	1,181.7	8.9
Toil Brothers	B [B-]	0.24	1,502.2	1,502.2	886.6	9.81	39.1	15.27	-13.9	2,616	825.2	3,360.4	13.7

