INVESTMENT
CLUB

Lennar Corporation (NYSE: LEN)

10/28/25

What is Lennar?

LENNAR

Lennar is a vertically integrated, scaled homebuilder with a broad national footprint, combining end-to-end capabilities in construction, financing, and title services to deliver homes efficiently and affordably across the U.S.





Lennar is addressing the **housing supply shortage** by building accessible, move-in ready homes with upfront pricing, streamlined financing through Lennar Mortgage, and the Everything's Included® package that eliminates costly add-ons and delays.

LEN is the **2nd largest** homebuilder in the country. They build **affordable** single-family homes, townhomes, and communities. **Why do they matter now more than ever?**

Sources: Company Filings

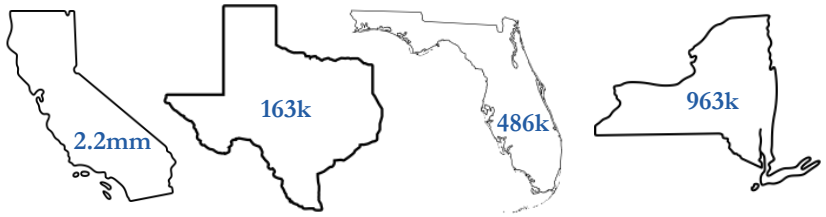
What's Going On in the Housing Market?

LENNAR

There is a vast undersupply in the U.S. housing market due to homeowners being locked in at historically low mortgage rates, providing opportunities for homebuilders to gain market share

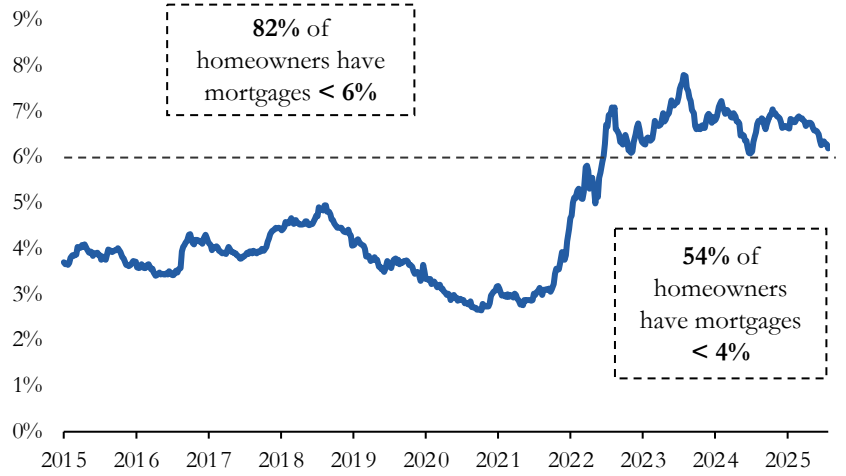
The Undersupply of U.S. Homes

- Economists estimate that the U.S. has an underproduction of **~3.85 million homes as of 2024**, up from ~1.65 million in 2012
- Major **regions of undersupply** include California, Texas, Florida, and New York
- Homeowner vacancy rates (~1%) and rental vacancy rates (~7%) are the **lowest** they have been since the 1980s

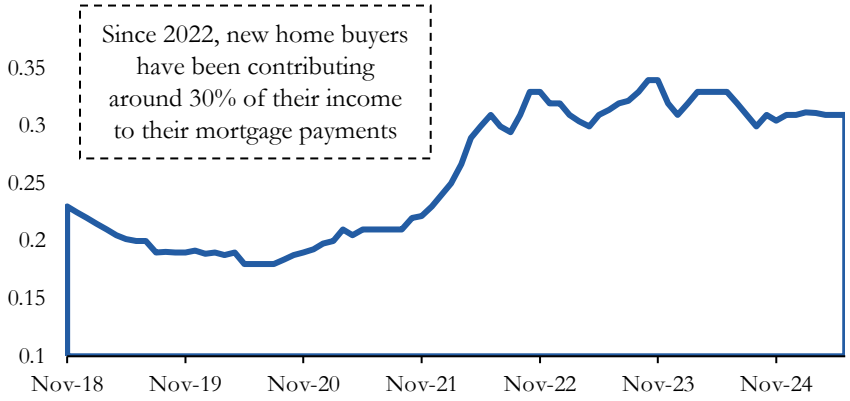


In the U.S. 2025 housing market, analysts estimate a deficit of roughly **4–5 million homes**, underpinning persistently high prices and tight affordability.

Lock-In Mortgage Rate Effects



Elevated Mortgage Payment to Income Ratios



Sources: AEI Housing Center, Up for Growth

How Do Locked In Rates Affect Homebuying?

2021	→	2025
New buyers take out mortgages at low rates		New buyers struggle to afford high mortgage rates
Homeowners refinance to lower rates		Homeowners afraid to give up locked-in low rates

The Traditional Homebuilding Process

LENNAR

The process of building a home from raw land to completed product is a complicated and multi-step process that can span over multiple years

The Land Lifecycle



Sourcing

1. Find target piece of land
2. Run quick feasibility check
3. Control with option or contract



Entitling

1. Rezone, obtain permits
2. Complete required studies and tests
3. Pay all associated fees



Horizontal Work

1. Grade the site
2. Create roads, sewers, power lines
3. Pass inspections **(lots are now "finished")**



Vertical Work

1. Build the home from start to finish
2. Clear the home for move-in



Sale

1. Market community and set pricing
2. Finalize financing for buyer
3. Close the home

This Process Works, But With Problems

Toll Brothers

D·R·HORTON America's Builder

PULTE GROUP

LENNAR

- Large builders **used to run most of this process themselves.** They would buy the land early, get it entitled, put in roads/utilities, build the homes, and sell the finished product.
- This model is a **land bet:** it ties up billions in dirt years before a house is sold, hoping prices will be rise later.
- This works well in a prosperous market. However, **holding large amounts of land on a balance sheet is highly risky**.

Sources: Company Filings, HomeLight

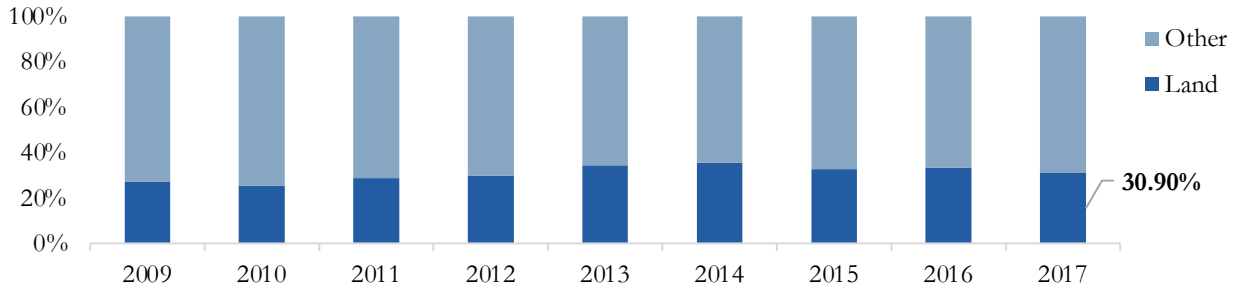
A Case Study on 2008

LENNAR

The 2008 Financial Crisis demonstrated the intense risks associated with holding land on a balance sheet, and was so severe that it influenced some homebuilders to change their business model

What's the Biggest Risk? Holding Land.

Sourcing	Entitling	Multiple Years	Sale
	You buy land (billions of dollars of cash going out)	You pay taxes and fees on the land (money going out) but collect no revenue ($0 coming in)	You only realize the gain when you sell the home



Land was historically ~1/3 of LEN's balance sheet. **That is a lot of capital tied up, and it all gets marked down if prices fall.**

What Happened in 2008?


Sourcing


Entitling


Horizontal Work


Vertical Work

House prices plummeted; so did land values



Sale

Having billions of dollars tied up in land backfired in 2008. Land got marked down and builders took the hit.

Sources: Company Filings, Forbes

The New Homebuilding Process

LENNAR

The process of building a home from raw land to completed product is a complicated and multi-step process that can span over multiple years

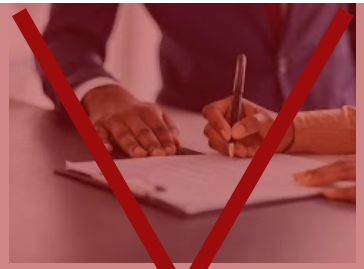
The Solution after 2008? Not Holding Land!

The Asset-Light Model



Sourcing

1. Find target piece of land
2. Run quick feasibility check
3. Control with option or contract



Entitling

1. Rezone, obtain permits
2. Complete required studies and tests
3. Pay all associated fees



Horizontal Work

1. Grade the site
2. Create roads, sewers, power lines
3. Pass inspections **(lots are now "finished")**

Outsourced to a Third Party



Vertical Work

1. Build the home from start to finish
2. Clear the home for move-in



Sale

1. Market community and set pricing
2. Finalize financing for buyer
3. Close the home

Lennar

What Does Asset-Light Actually Entail?

- In the asset-light model, the land work (finding dirt, getting it entitled, putting in roads and utilities) **moves to third parties** (usually land banks)
- The builder is **buys finished "lots," builds homes, and sells**. This is more efficient and easier than controlling the whole process

After 2008, LEN began adopting this model. Today, Lennar's job is simple: build and sell move-in-ready homes at scale.

Sources: Company Filings

Business Overview

LENNAR

Lennar is supplying the market with what it demands: affordable single-family homes, and its simplified and cost-friendly "Everything's Included®" structure further incentivizes buyers

Company Overview

- Lennar Corporation (NYSE: LEN) is a scaled, vertically integrated U.S. homebuilder headquartered in Miami, FL that designs, builds, and sells **affordable single-family homes**
- LEN offers **in-house mortgage and title services** and a capital-light multifamily arm across **high-growth Sun Belt markets**.
- LEN is co-led by Executive Chairman & Co-CEO Stuart Miller and Co-CEO & President Jon Jaffe, both of whom have been with Lennar for **40+ years**.




- On February 7, 2025, LEN spun off **~$5.5B of land assets** (plus $1.0B cash) into Millrose Properties (NYSE: MRP), a REIT-style land bank, as part of its transition to a **land-light business model**.

Everything's Included®: Affordable End-to-End Buying



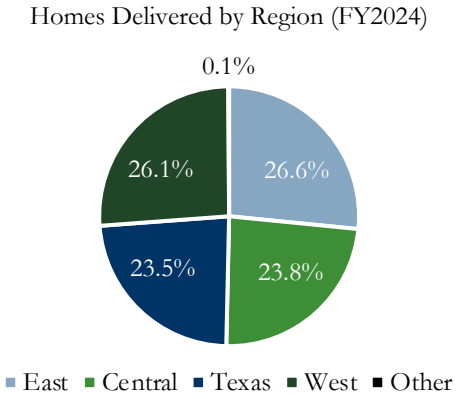
Homebuilding: ~95.6% of revenue



Multifamily: ~1.2% of revenue

"Everything's Included®" lets Lennar deliver **move-in-ready** homes with popular upgrades, smart tech, and energy features **already in the base price**. **Lennar Mortgage** pre-approves buyers fast, locks rates, and structures payment-lowering incentives, and **Lennar Title** runs the closing process end-to-end.

Geographic Breakdown & Key Performance Indicators

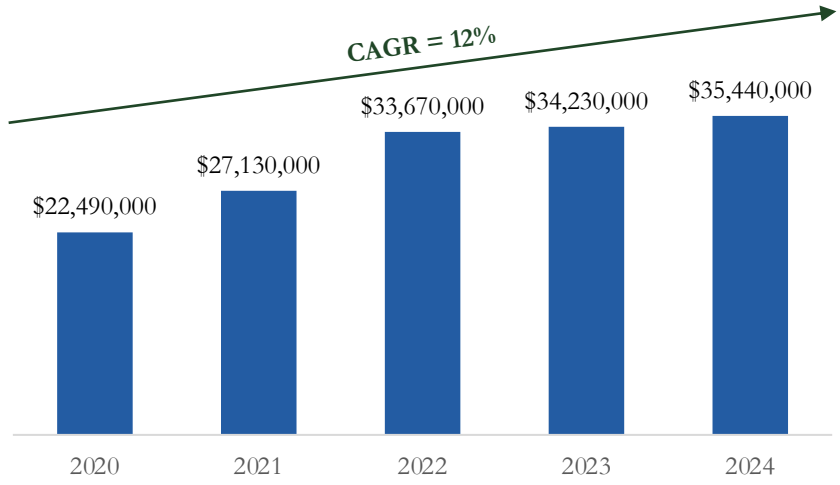


Average Price Per Home **$383,000**

Homes Delivered FY2024 **80,210**

Backlog **$6.6B**

Revenue Growth (thousands)



Sources: Company Filings

Competitive Landscape

LENNAR

Unique to its competitors, Lennar is transitioning to an asset-light model. Lennar also maintains a strong balance sheet, high insider ownership, and supplies the market with what it currently demands

Traditional Competitors

LENNAR | D·R·HORTON America's Builder

Market Cap ($mm):	33,577	47,359
Trailing & Forward P/E:	12.69x & 13.93x	13.78x & 13.61x
EV/EBITDA:	7.9x	11.7x
P/BV:	1.7x	1.9x

Top 10 builders delivered 45% of homes in 2024

PULTE GROUP

- PulteGroup, Inc. (NYSE: PHM), is the 3rd largest national home construction company
- PHM operates a more **land-heavy** model, owning ~42% of the land they use

Why is LEN a **more attractive investment** than its main competitor, DR Horton, Inc. (NYSE: DHI)?

- DHI owns **12 times the amount of land** that LEN owns, making DHI more exposed to risk
- DHI's **debt to capital ratio** (23.2%) **is almost double** LEN's (13.5%)
- LEN's **management ownership is ~10%**, while DHI's is **0.5%**
- DHI is heavily concentrated to Texas, whereas LEN's diversified 30-state footprint is focused on expanding in **fast-growing, supply-tight markets** like Miami, Dallas, Phoenix, and San Diego

Toll Brothers

- Toll Brothers, Inc. (NYSE: TOL) builds and sells **luxury homes** with extensive personalization options
- TOL's model is less in tune with what the market currently demands

Comparison to NVR

NVR

- NVR's **ROE of ~40%** in FY2024 is reflective of its ultra asset-light, capital-efficient model
- LEN has not yet attained NVR's **captivity with developers and operational efficiency**
- While LEN is not NVR, it's the only large national builder **moving towards NVR's structure**



NVR, Inc. (NYSE: NVR) is a home construction company headquartered in Reston, VA, that **has successfully pioneered the land-light model** since the mid-1990s, remaining profitable even during the 2008 financial crisis.

Sources: Yahoo Finance, S&P Capital IQ, Company Filings,

Investment Thesis & Recommendation

LENNAR

We believe Lennar's current stock price provides an attractive investment opportunity: the market has punished Lennar for recent profitability compressions, but it continues to be an operationally sound business

1

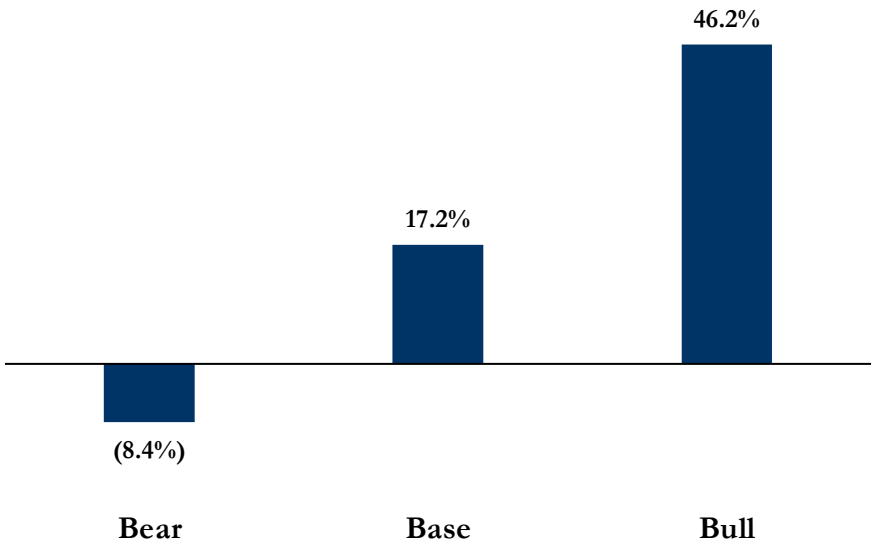
Lennar's Recent Spinoff of Millrose Properties Completes Asset-Light Transition

Lennar's transition to becoming asset-light through the Millrose spinoff trends them toward pure-play manufacturing and makes Lennar now a structurally higher ROE homebuilder with more free capital

2

Discipline to Consistent Increased Volume through Market Softening

As the home market softens, Lennar continues to deliver consistent volumes to customers, making them a more operationally sound business prepared to capitalize on market normalization



Recommendation: Buy
Price Target: $150.91
Current Price: $128.72
Implied Upside: 17.2%

The Asset-Light Transition

LENNAR

1

Lennar's Recent Spinoff of Millrose Properties Completes Asset-Light Transition

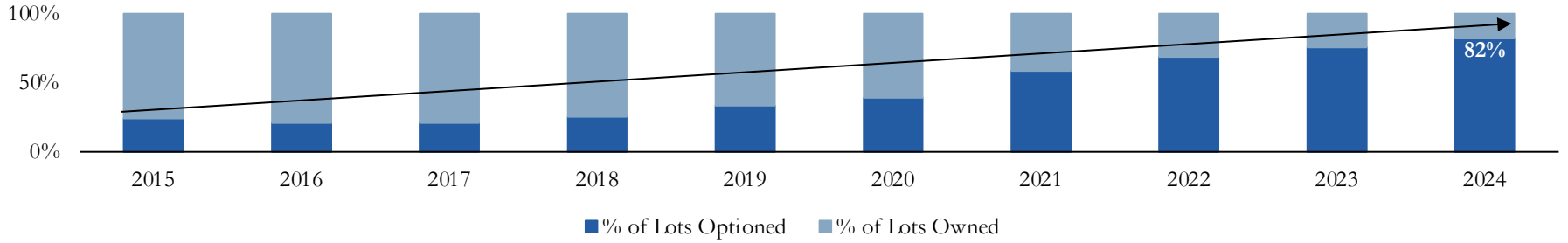
Lennar's transition to becoming asset-light through the Millrose spinoff trends them toward pure-play manufacturing and makes Lennar now a structurally higher ROE homebuilder with more free capital

Lennar's Move Toward Asset-Light

LENNAR

Lennar began their transition to asset-light after the 2008 financial crisis and used private-land banks to option ~80% of their land by 2024

Post-2008, Pre-2025



By early 2025, Lennar had already **moved ~80% of its land assets off its own balance she**et and into third-party land bankers

What Did This Look Like?



- Private investors (PE, Credit Funds) buy land, hold it, and do horizontal work. They sell finished "lots" back to Lennar, taking risk off of LEN's balance sheet
- However, these investors are limited by fund size. They **raise a fixed fund** (e.g. Fund IV: $3B) and then use that pool to fund operations. When that fund is fully deployed or between funds, **additional land cannot be bought and demand cannot be met**
- This usually is not a problem, but a builder at LENs scale needs a **reliable pipeline of land**

Company Filings, Forbes

Lennar's Spinoff of Millrose Properties

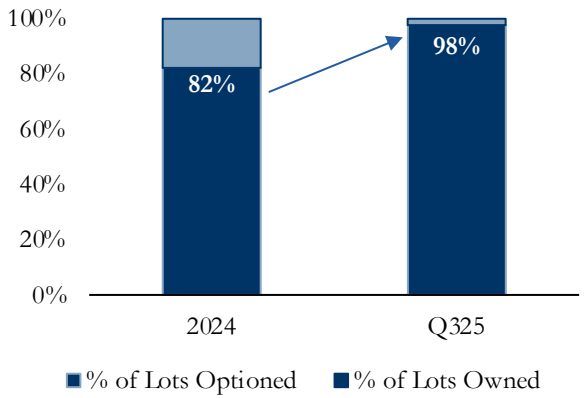
LENNAR

Lennar wants to fully adopt the asset-light model and is taking strides to get there – namely, spinning off land into Millrose Properties

Spin-off Rationale

LEN needed an entity to provide a steady supply of land. Instead of shopping for other private investors, they created a REIT using their own assets

- Spun-off **$5.5B of land and $1B of cash** into a new company called Millrose Properties (NYSE: MRP)
- **Why a REIT?**: MRP is not bound by the same schedules as private investors. They can raise money in the equity and debt markets, **hold land for as long as they want** (Privates are bound by investor timelines) and **hold as much land as they want** (not bound by fund sizes).
- MRP received LEN's **HOPP'R platform & IP:** the technology LEN built to source, option, and price land, which enables MRP to scale its financing model for LEN and future third-party builders.
- LEN now directly owns ~2% of their land – almost **all lots are controlled via options** through MRP and other land banks. This pushes LEN **closer to NVR's asset-light playbook**: less capital tied up in dirt, faster asset turnover



Millrose's Purpose





- MRP and the land banks serve the same base purpose to LEN **– they both buy land, hold it on their balance sheets, and prepare lots for builders to buy.**
- However, they are different - MRP and LEN have stipulations in their contracts that make their partnership more attractive than conventional land banks

Company Filings

Optioning Land Through Millrose

LENNAR

Millrose's land is either Lennar's to begin with or a portion is earmarked to perpetuity = steady stream of land + MRP offers LEN best-in-market rates

How Does Getting Land from Millrose Work?

LEN has $5.5B that they have first rights on. Once all that land is deployed, the contract switches for future land that LEN wants to buy.

Original $5.5B that was Spun Off

1. LEN spun these lots into MRP – no expiration date. Lennar says the word, they open Options straight. If refused, MRP can sell to others
2. **Asset priority** = "These lots are already on our list. If we want them, we can buy them on the schedule we set."

Example

If LEN spun off a lot in Florida into MRP and wants to build, they go straight to the Project Addendum, pay the Option Deposit, and start paying the Monthly Option Fees

Future Land that Lennar Sources

1. LEN has claim on a slice of MRP's budget for a given period (a reservation of capital, not specific assets).
2. **Capacity Priority:** "We reserve part of MRP's checkbook, and then we decide which new communities to put into that reservation"

Example

If MRP has $1B of deployable capital this period and LEN's agreement earmarks them for $300M of that budget, LEN can convert up to $300mm into specific communities by signing Project Addenda. Any unused budget is free for MRP to place elsewhere

Option/Takedown Schedules

Lennar signs a Project Addendum

LEN says "I want to reserve this lot." They then define budgets, schedules, and when they're going to take it down with MRP.

Options Open

LEN pays a one-time **Option Deposit** (small, non-refundable fee) and starts **Monthly Options** (a premium to keep exclusivity, not a pay-down)

Lennar Takes Down the Lot (or Doesn't)

When it's time to build, LEN pays the full takedown price for finished homesites. If they don't close, they lose the monthly option fees and MRP is free to sell to whoever they want.

Private Investor Rates: **~10-13%***
Millrose rates to others: **~11%***
LEN Rates on Capacity Priority: **8.5%**
LEN Rates on original $5.5B: **<8.5%***
rough estimates. Companies don't release exact rates

Company Filings

The Importance of ROE

LENNAR

Lennar's relationship with Millrose is not mutually exclusive and provides Lennar with a way to increase ROE and free cash over time

Lennar and Millrose are Not Mutually Exclusive

Today

The spinoff happened ~8 months ago – MRP's largest client is LEN, so they're still operationally linked and move together near-term

Non-Exclusive

- MRP is ran by Kennedy Lewis, a management company with **connections to national builders** like Hovnanian Enterprises, Beazer Homes, and Toll Brothers.
- MEP earns higher rates (~11%) on non-LEN projects. **They are incentivized to** and are currently broadening their client base
- LEN can and does source from elsewhere **(currently 1/3 MRP, 2/3 land banks like TPG Angelo Gordon)**

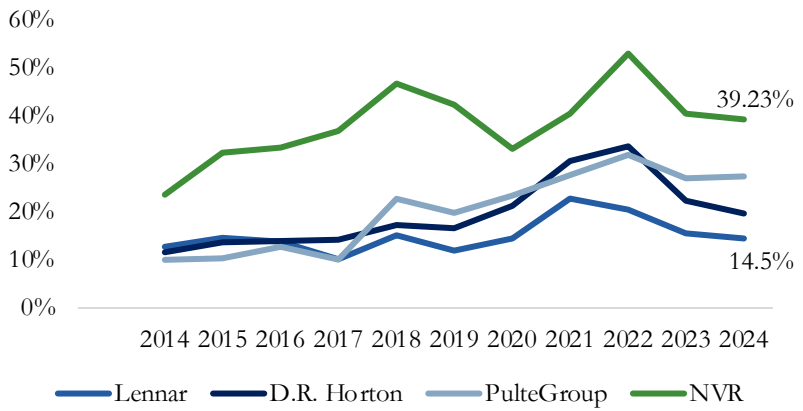
De-Risking (over time)

Two **independent companies**: LEN gets a steady supply of flexible, low-carry lot lots, and MRP becomes a diversified land REIT with LEN as an important (but not exclusive) customer. **Customer/supplier concentration falls for both over time**

What Does All of This Do For Lennar?

Return on Equity: How quickly you can turn cash tied up in assets into earnings

Less land = higher ROE = higher P/E multiple



1. NVR built the asset-light model. They run it the most efficiently, and thus trade the highest
2. When Lennar held land, it would take lots of time for them to turn that land into earnings = Low ROE
3. Now that Lennar holds almost no land, turning homes to earnings takes substantially less time = **Increase in ROE and P/E in time**
4. Additionally, Lennar now has **free cash to use in their operations** instead of tying up cash in land

Sources: Conversations with Management, Company Filings

Prioritizing Volume over Margin

LENNAR

2

Discipline to Consistent Increased Volume through Market Softening

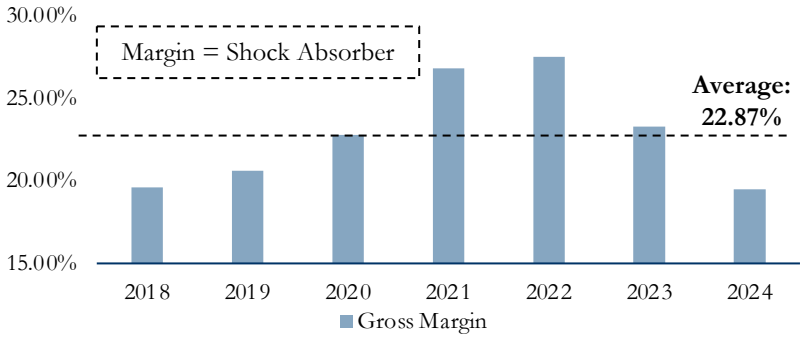
As the home market softens, Lennar continues to deliver consistent volumes to customers, making them a more operationally sound business prepared to capitalize on market normalization

Consistent Delivery Volume Strategy

LENNAR

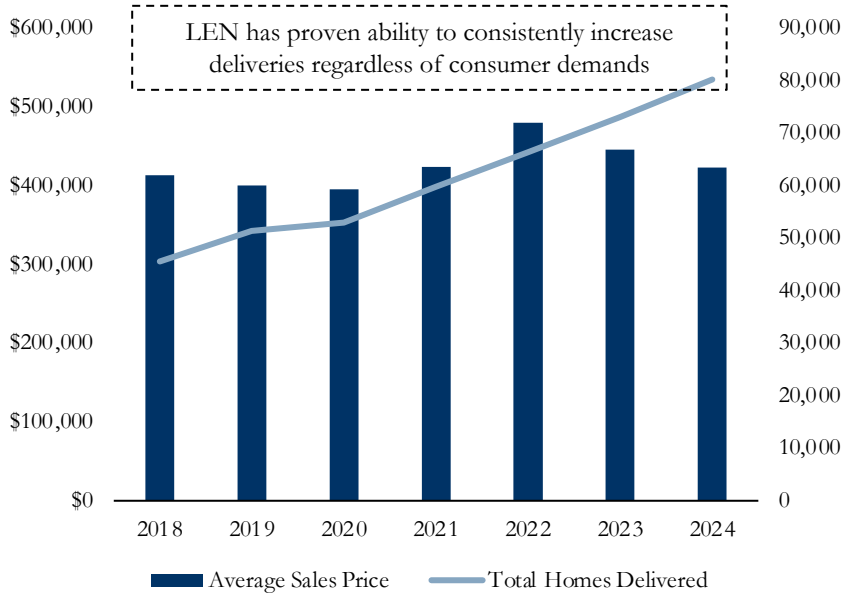
As the housing market manages challenging economic environments, Lennar is maintaining consistent and growing volume of homes delivered, preparing them to capitalize on market normalization

Lennar's Even-Flow Production Strategy



As **Average Sales Price (ASP)** for homes fluctuate to meet market demands, LEN;s consistent, growing volume of deliveries causes margin fluctuations

Consistent Growing Volume + Housing Market Price Fluctuations = Inconsistent Margins



What is Margin?

Home Sales Price — **Direct Construction Costs**

The fluctuation of home prices is rarely a factor of fluctuating construction costs; rather, its due to fluctuations in in consumer demand

Why We Aren't Worried

LENNAR → **Manufacturing Machine**

As Lennar produces more homes:

- **Better Economies of Scale**
- **More Operating Efficiencies**
- **Capitalizing on Market Normalization**

Sources: Company Filings, S&P Capital IQ

Economies of Scale & Improved Operations

LENNAR

As opposed to a fragmented, capital-intensive construction business, Lennar operates as an asset-light manufacturing business, benefitting from economies of scale, consistent volume, and product standardization

Scale = Per Unit Cost Reduction

LENNAR (construction manager)

Vendors (Suppliers)	Subcontractors
Predictable Volume + Consistent Designs	Predictable Volume = Consistent Scheduling
Massive Bulk Purchasing → Large Price Discounts	Preferred Customer to Subcontractors → More Negotiating Power

Recent Construction Cost Savings from this Strategy:

QoQ: ~(1%) per home **YoY: ~(3%) per home**

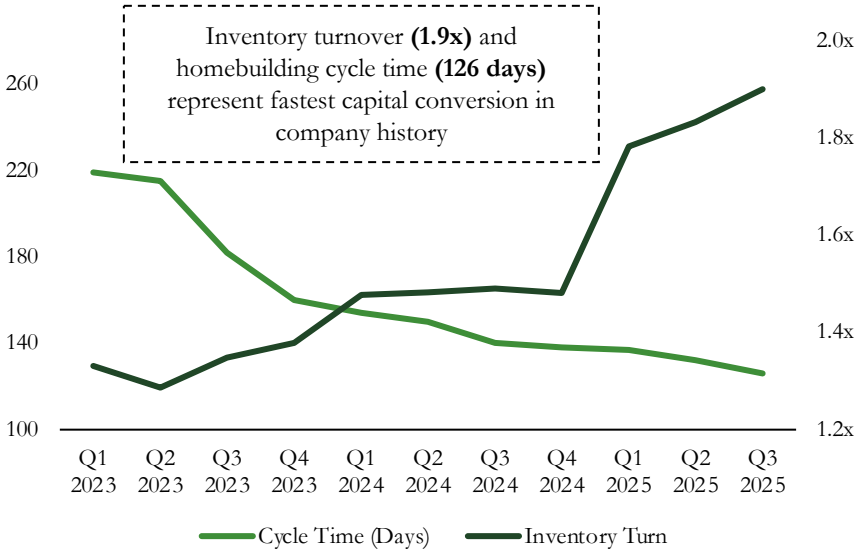
Boosting Operational Efficiencies

Everything's Included® Product Standardization

- Limited customization and options
- Standard, modern homes with similar cost structures

With the spinoff of MRP:

- LEN has new operational focus on homebuilding, rather than land developing
- LEN receives land on a "just-in-time" basis, providing flexibility and efficiency



Sources: Company Filings

Long-Term Operational Advantage

LENNAR

In the long run, Lennar's focus on volume over margin will make the company an operationally efficient market leader with the ability to capitalize on market normalization

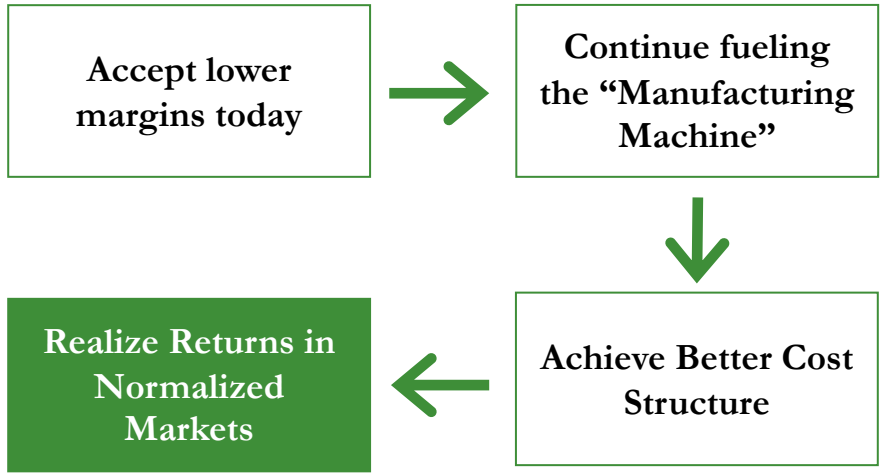
Our Long-term Bet – Market Normalization

Over time, we believe the cost of buying a home will come down with return to historically lower mortgage rates. This means:

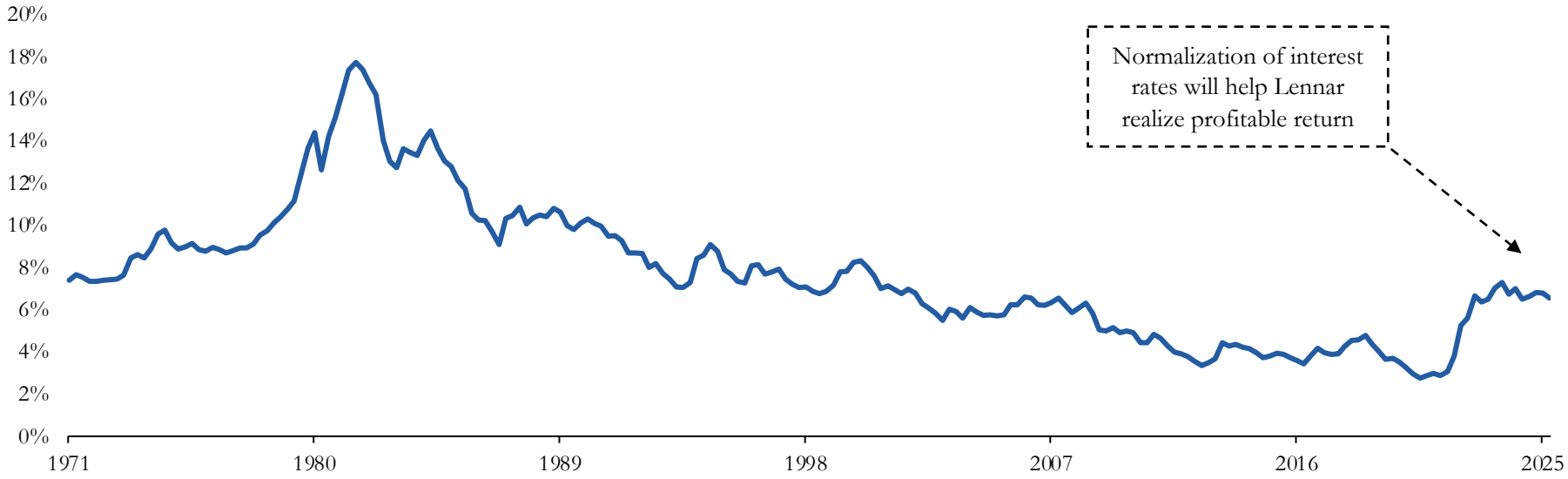
- **Less mortgage rate buydowns**
- **Higher Average Sales Price (more affordable homes at higher prices)**

+

LEN's consistent operational growth will enhance economies of scale, **lowering direct construction costs per home**



30-Year US Mortgage Rate

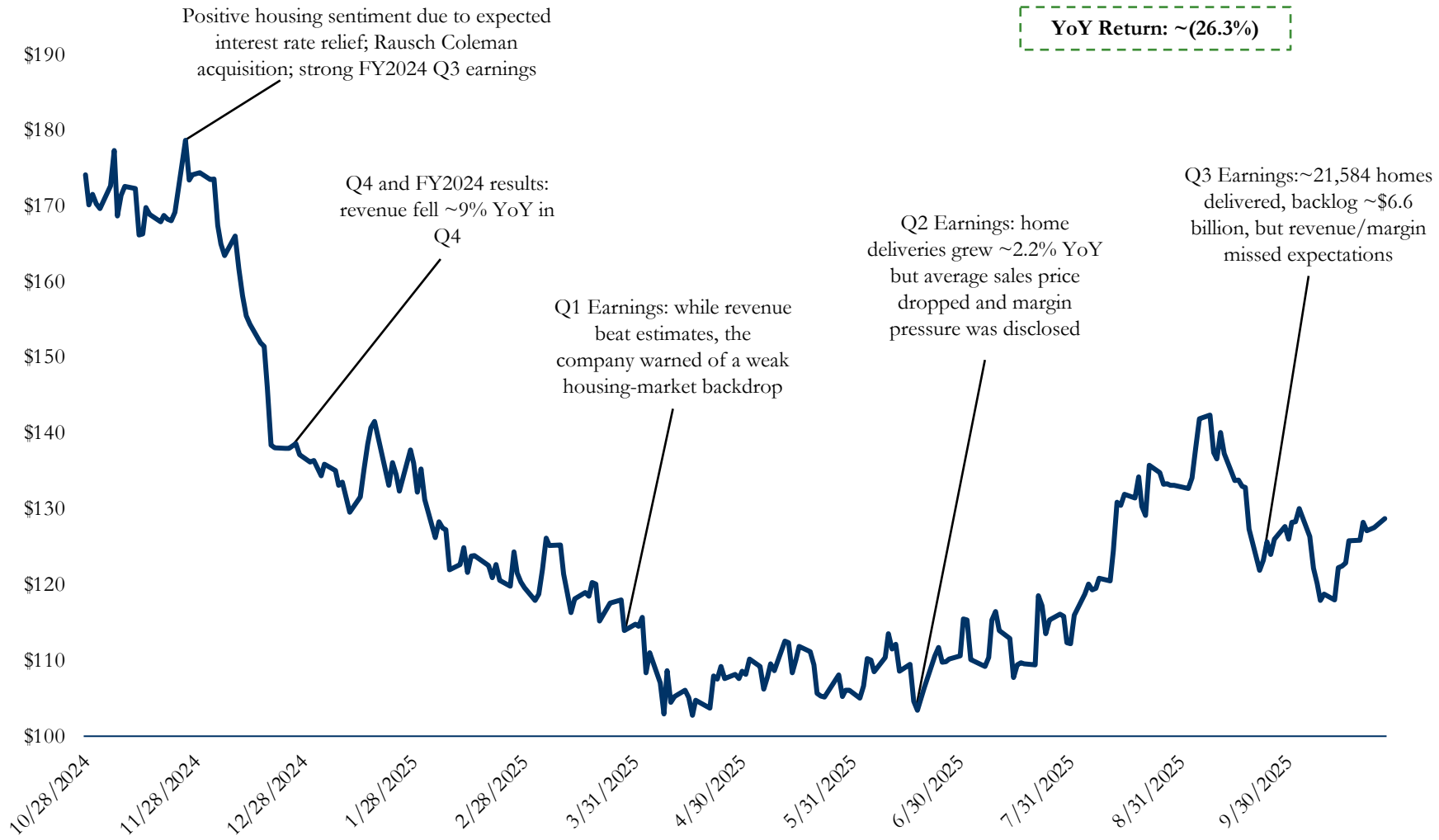


Sources: St. Louis FRED, Forbes, Company Filings

Lennar's Stock is Currently Discounted

LENNAR

Due to macroeconomic headwinds, compressed margins, and near-term execution uncertainty, Lennar is trading at a steep discount



Sources: S&P Capital IQ, Yahoo Finance

Financial Projections

LENNAR

In our base case, we implied 2.2% revenue CAGR through 2029E, with EBITDA margin expansion approaching historical levels prior to the market softening

Commentary

1. Drop in home prices do to market softening will suppress revenue due to drop in ASP, while volumes consistently scale
2. Home pricing pressures with stable direct construction costs cause gross margin squeezes in the short term
3. Management believes that investments in technology platforms to track real-time consumer demand will help bring down SG&A costs

Other Assumptions

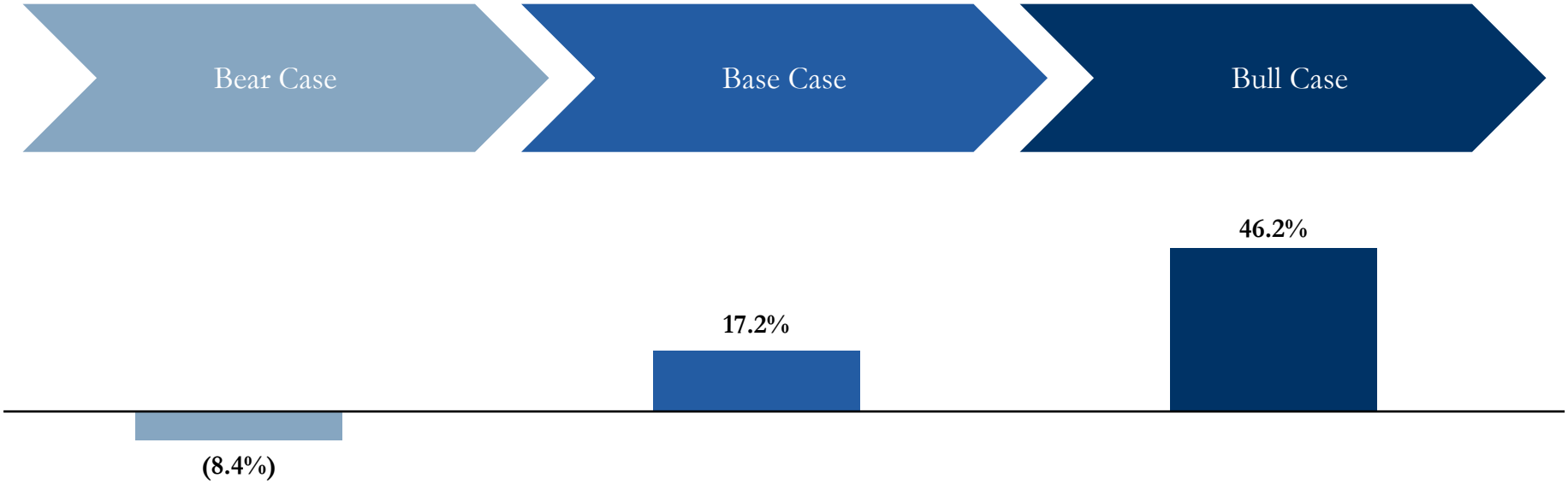
- **PGR: (1.0%)**
- **Exit Multiple: 8.0x**
- **WACC: 10.1%**

For Fiscal Year Ending		2023A	2024A	2025E	2026E	2027E	2028E	2029E	CAGR '24A – '29E
Total Revenues	1	**34,168.8**	**35,463.8**	**33,746.5**	**33,888.0**	**35,377.8**	**37,074.8**	**39,575.2**	*2.2%*
% growth		*1.7%*	*3.8%*	*(4.8%)*	*0.4%*	*4.4%*	*4.8%*	*6.7%*	
Cost of Goods Sold	2	25,594.0	26,930.1	26,705.2	27,559.1	28,249.4	29,271.9	30,918.0	*2.8%*
Finance Div. Operating Expense		467.4	532.1	603.1	630.5	664.5	681.8	695.4	
Gross Profit		**8,107.4**	**8,001.6**	**6,438.1**	**6,328.9**	**7,128.4**	**7,802.9**	**8,657.2**	*1.6%*
% margin		*23.7%*	*22.6%*	*19.1%*	*18.7%*	*20.1%*	*21.0%*	*21.9%*	
SG&A Expense	3	2,732.2	3,129.3	3,205.9	3,117.7	3,184.0	3,336.7	3,363.9	*1.5%*
R&D Expense				- -	- -	- -	- -	- -	
D&A Expense		110.2	115.5	128.2	112.7	100.8	106.8	97.0	
Other Operating Expense		46.0	244.6	94.0	94.4	98.5	103.3	110.2	
EBIT		**5,219.0**	**4,512.2**	**3,009.9**	**3,004.1**	**3,745.1**	**4,256.1**	**5,086.1**	*2.4%*
% margin		15.3%	12.7%	8.9%	8.9%	10.6%	11.5%	12.9%	
EBITDA		**5,329.2**	**4,627.7**	**3,138.2**	**3,116.8**	**3,845.9**	**4,362.9**	**5,183.1**	*2.3%*
% margin		15.6%	13.0%	9.3%	9.2%	10.9%	11.8%	13.1%	

Model Assumptions

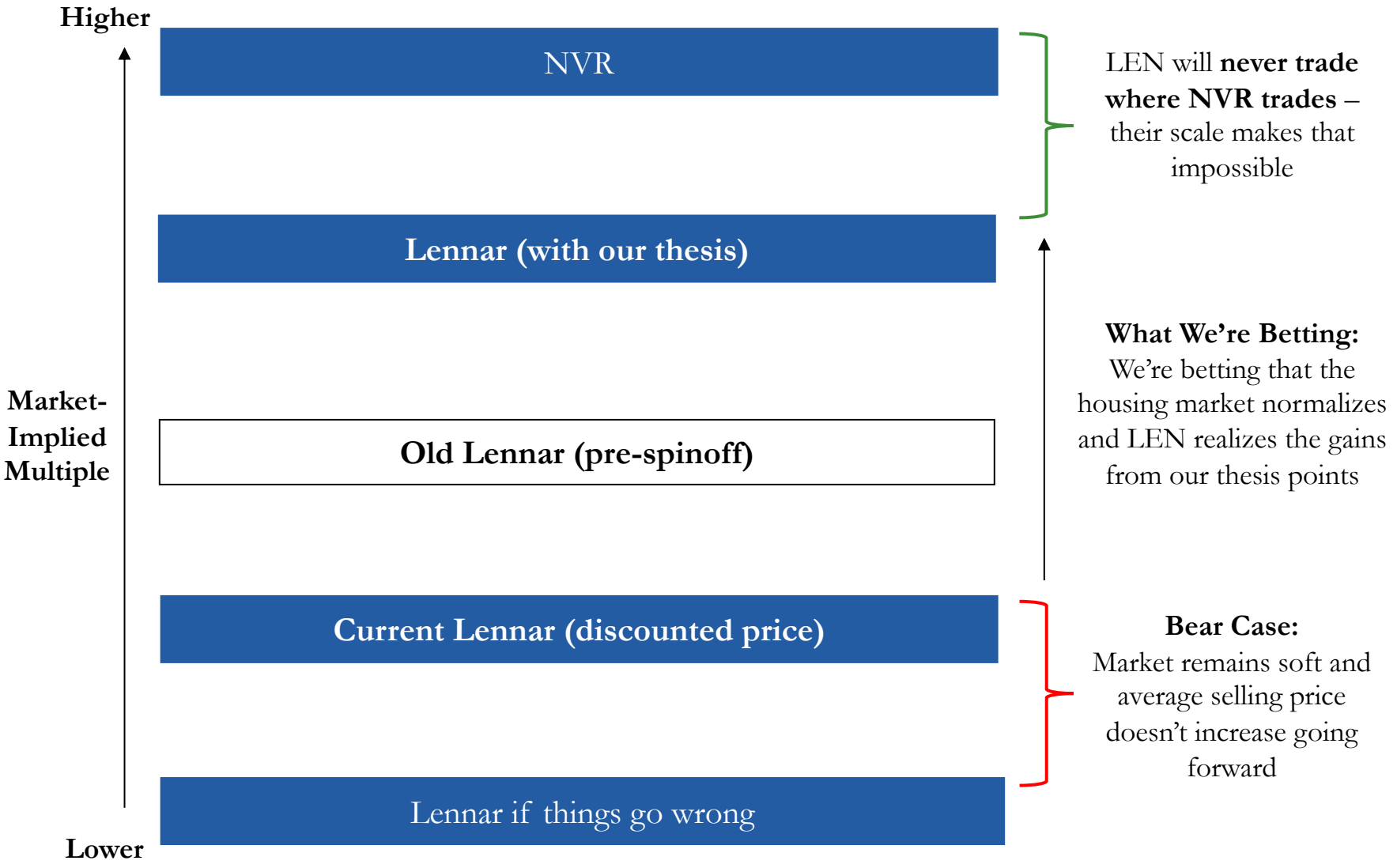
LENNAR

When valuing Lennar, we took a relatively conservative approach, understanding the uncertainties within the macro housing market



Bear Case	Base Case	Bull Case
2029E ~10.4% Adj. EBITDA Margins	2029E ~13.1% Adj. EBITDA Margins	2029E ~15.8% Adj. EBITDA Margins
2024A – 2029E Revenue CAGR of ~.42%	2024A – 2029E Revenue CAGR of ~2.2 %	2024A – 2029E Revenue CAGR of ~4.6%

What Are We Betting On?



Illustrative, not to scale. Bars represent how valuations **should re-rate as ROE improves and housing market normalizes*

Concluding Valuation and Recommendation

LENNAR

Lennar's current stock price represents a great investment opportunity if you believe that they have truly de-risked their balance sheet through the spinoff to Millrose and their continuous operational excellence

1

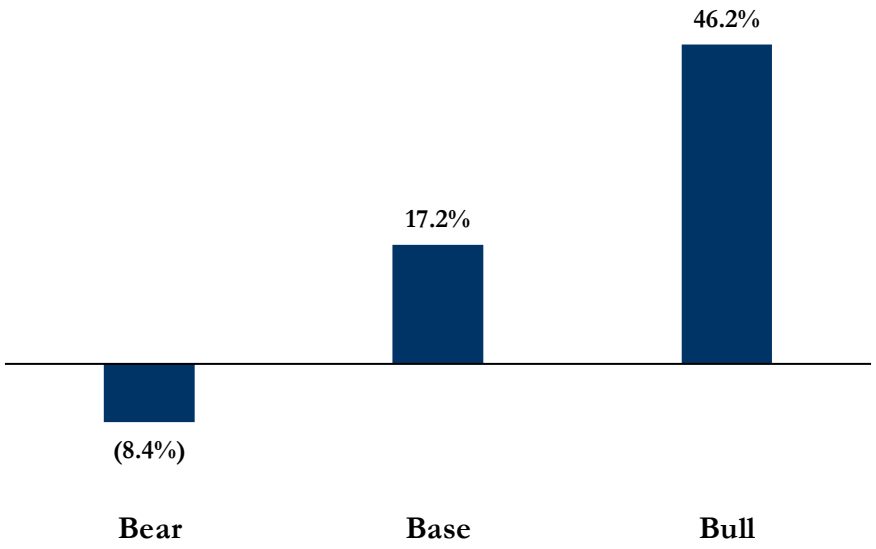
Lennar's Recent Spinoff of Millrose Properties Completes Asset-Light Transition

Lennar's transition to becoming asset-light through the Millrose spinoff trends them toward pure-play manufacturing and makes Lennar now a structurally higher ROE homebuilder with more free capital

2

Discipline to Consistent Increased Volume through Market Softening

As the home market softens, Lennar continues to deliver consistent volumes to customers, making them a more operationally sound business prepared to capitalize on market normalization



Recommendation: Buy
Price Target: $150.91
Current Price: $128.72
Implied Upside: 17.2%

APPENDIX

Lennar's Technology Investments

LENNAR

Lennar's continual investment into technology sets them up to benefit operationally going forward

LenX + Internal Software Team

Within Lennar, LenX is a strategic investment vehicle designed to bring new technology, products, and services to Lennar's operations through partnerships

LenX sources technology → **Software Team builds and deploys**

Palantir ICE ICON

Lennar + Opendoor Technologies

Many prospective buyers for Lennar homes don't purchase because capital is restrained in their current home.

Looking to buy a Lennar home?

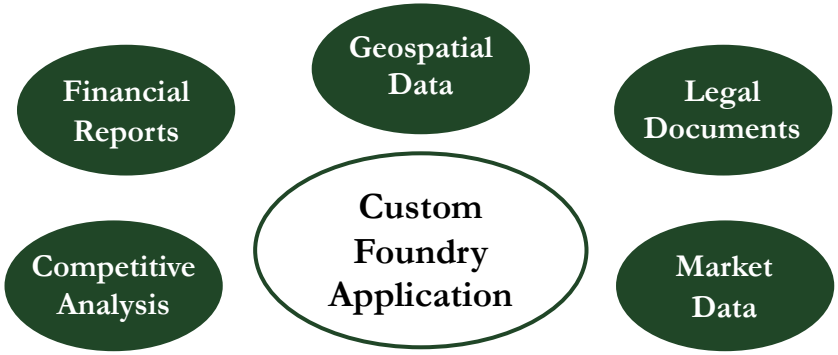
1. Get an instant offer from Opendoor
2. Choose closing date
3. Get paid quickly

This partnership gives homeowners the optionality to skip the complications of switching homes, providing speed and liquidity

Array of Operational Improvements with Palantir

Material Forecasting	=	Improved supply chain predictability
Quality Assurance Inspection	=	Simplified Inspection Process
Ontology + LLM	=	Complete Data Integration with LLM

Organizing Land Acquisition Data through Palantir Foundry



<u>Providing $2.5 - $8 million in cost savings per community</u>

Sources: Opendoor