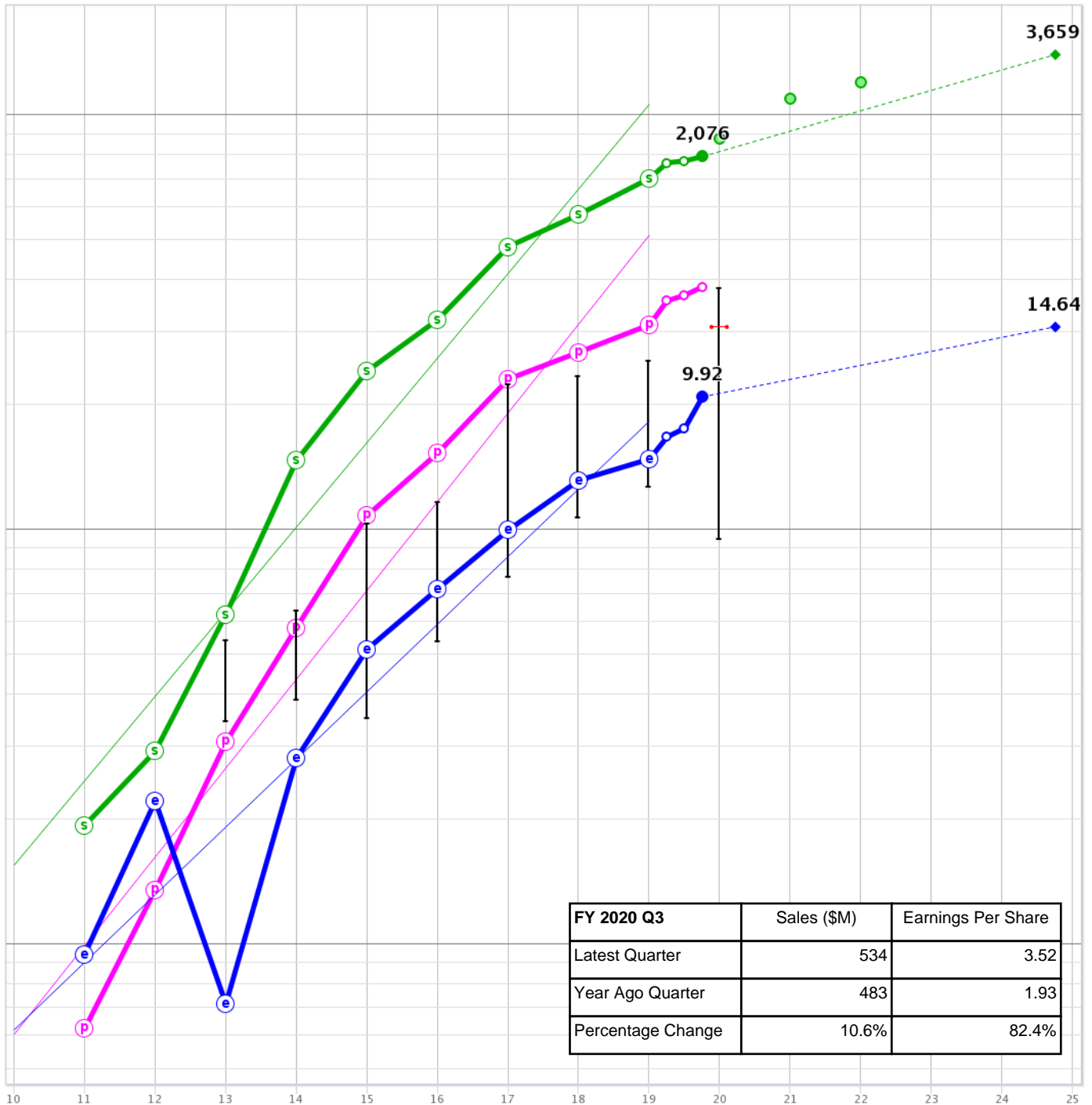


Company	LGI Homes		Date	12/11/20	
Prepared by	O'MARA		Data taken from	BI Stock Data	
Where traded	NAS		Industry	Residential Construction	
Capitalization --- Outstanding Amounts	Reference				
Preferred (\$M)	0.0	% Insiders	% Institution		
Common (M Shares)	25.3	4.3	75.0		
Debt (\$M)	624.0	% to Tot Cap	38.1	% Pot Dil	0.7

# Stock Selection Guide

Symbol: LGIH

## 1 VISUAL ANALYSIS of Sales, Earnings, and Price



FY 2020 Q3	Sales (\$M)	Earnings Per Share
Latest Quarter	534	3.52
Year Ago Quarter	483	1.93
Percentage Change	10.6%	82.4%

- |                                   |       |  |       |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth       | 60.0% | (3) Historical Earnings Per Share Growth       | 45.6% |
| (2) Estimated Future Sales Growth | 12.0% | (4) Estimated Future Earnings Per Share Growth | 8.1%  |

## 2 EVALUATING Management

LGI Homes

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Last 5 Year Avg.
Pre-tax Profit on Sales		9.2%	13.1%	14.0%	11.2%	12.7%	13.6%	13.6%	13.2%	12.6%	13.1%
% Earned on Equity				18.7%	14.2%	22.1%	22.0%	23.1%	23.1%	22.9%	22.6%
% Debt To Capital		33.1%	37.3%	17.8%	54.2%	55.5%	53.0%	49.2%	49.9%	45.2%	50.6%

## 3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

**CLOSING PRICE** 107.82 (12/11/20)

**HIGH THIS YEAR** 132.98

**LOW THIS YEAR** 33.00

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2015	36.1	12.2	2.44	14.8	5.0	0.00	0.0	0.0
2016	40.5	18.7	3.41	11.9	5.5	0.00	0.0	0.0
2017	78.0	26.8	4.73	16.5	5.7	0.00	0.0	0.0
2018	81.9	37.2	6.24	13.1	6.0	0.00	0.0	0.0
2019	89.0	44.2	7.02	12.7	6.3	0.00	0.0	0.0
AVERAGE		27.8		13.8	5.7		0.0	
CURRENT/TTM			9.92			0.00	0.0	
AVERAGE PRICE EARNINGS RATIO: 9.7					CURRENT PRICE EARNINGS RATIO: 10.9			

## 4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

### A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 12.0 X Estimate High Earnings/Share 14.64 = Forecasted High Price \$ 175.7

### B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 5.7 X Estimate Low Earnings/Share 8.33 = Forecasted Low Price \$ 47.5

(b) Avg. Low Price of Last 5 Years 27.8

(c) Recent Market Low Price 33.0

(d) Price Dividend Will Support  $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{0.00}{0.00\%} = 0.0$

Selected Forecasted Low Price \$ 86.0

### C ZONING using 25%-50%-25%

Forecasted High Price 175.7 Minus Forecasted Low Price 86.0 = 89.7 Range. 25% of Range 22.4

Buy Zone 86.0 to 108.4

Hold Zone 108.4 to 153.3

Sell Zone 153.3 to 175.7

Present Market Price of 107.82 is in the **BUY** Zone

### D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{175.7 - 107.82}{107.82 - 86.0} = \frac{67.90}{21.82} = 3.1$  To 1

### E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{175.7 - 107.82}{107.82} = 1.6298$  X 100 = 162.98 - 100 = 63.0 % Appreciation

## 5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

**A**  $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{0.00}{107.82} = 0.0000 = 0.0\%$  Current Yield

### B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{0.0\%}{12.00} = 0.0\%$

### AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{0.0\%}{8.85} = 0.0\%$

### C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

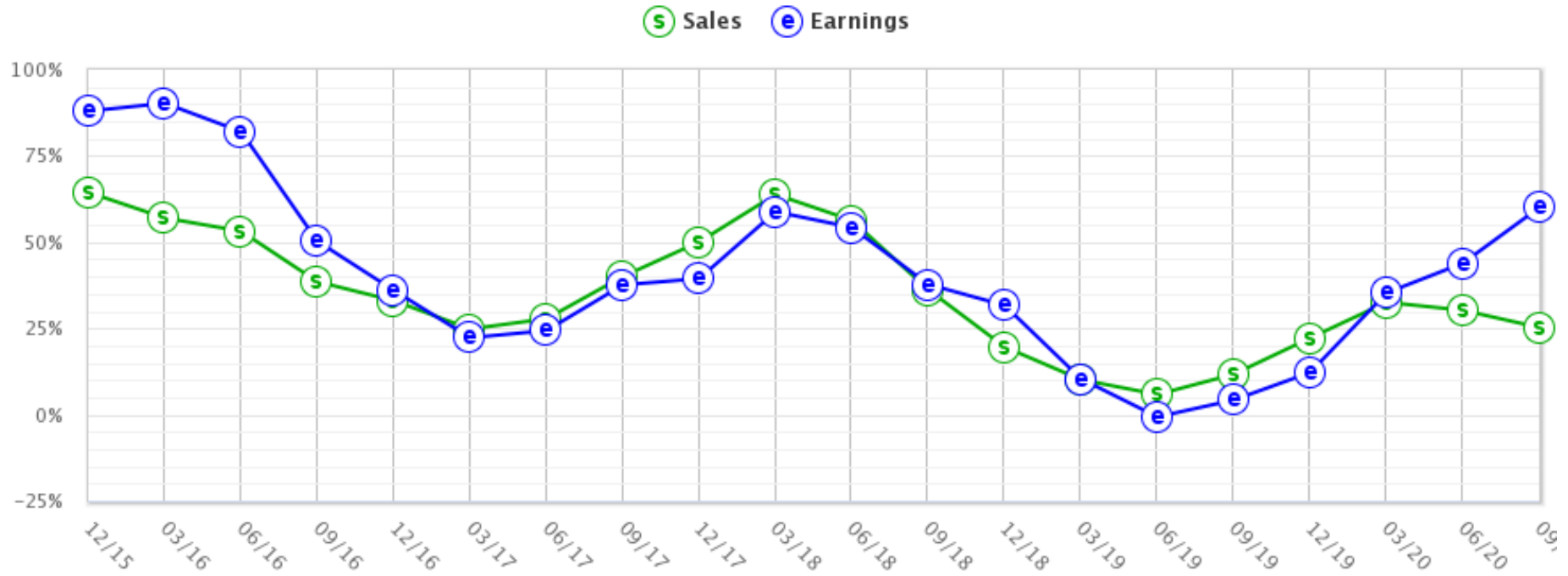
Annualized Appreciation 10.3 %  
Average Yield 0.0 %  
Annualized Rate of Return 10.3 %

### COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 3.7 %  
Average Yield 0.0 %  
Annualized Rate of Return 3.7 %

**Quarterly Growth Trend Data**

Graph: Trailing 4 Quarters, Last 5 Years of Data



Period	Quarterly Data								Last 12 Months Data									
	EPS		Pre-Tax Profit			Sales		Income Tax Rate	EPS		Pre-Tax Profit			Sales		%Change		
	\$	%Change	\$ Mil	%Sales	%Change	\$ Mil	%Change		\$	\$ Mil	%Sales	\$ Mil	%Rate	EPS	Pre-Tax Profit	Sales		
09/20	3.52	82.4	77.8	14.6	20.2	534.2	10.6	-14.4	9.92	286.2	13.8	2,076.2	35.8	12.5	60.0	40.9	25.2	
06/20	2.21	21.4	68.6	14.2	13.3	481.6	4.3	18.9	8.33	273.1	13.5	2,025.1	60.2	22.0	43.9	45.7	30.2	
03/20	1.67	128.8	54.9	12.1	153.0	454.7	58.1	22.0	7.94	265.0	13.2	2,005.3	61.8	23.3	35.3	39.8	32.5	
12/19	2.52	46.5	84.9	14.0	51.0	605.6	42.5	23.6	7.00	231.8	12.6	1,838.2	50.3	21.7	12.2	16.4	22.2	
09/19	1.93	27.0	64.7	13.4	32.1	483.1	27.0	23.8	6.20	203.2	12.3	1,657.7	44.3	21.8	4.2	2.6	11.7	
06/19	1.82	-4.2	60.5	13.1	-3.4	461.8	10.0	23.9	5.79	187.4	12.1	1,555.0	40.5	21.6	-0.7	-6.2	5.8	
03/19	0.73	-33.6	21.7	7.5	-30.5	287.6	3.1	15.5	5.87	189.6	12.5	1,513.0	41.1	21.7	10.3	2.0	10.1	
12/18	1.72	20.3	56.2	13.2	2.1	425.2	5.0	24.1	6.24	199.1	13.2	1,504.4	41.7	20.9	31.6	16.2	19.6	
09/18	1.52	8.6	49.0	12.9	-3.7	380.4	4.0	23.0	5.95	197.9	13.3	1,484.2	46.9	23.7	37.7	30.8	36.2	
06/18	1.90	36.7	62.7	14.9	28.8	419.8	29.5	24.0	5.83	199.8	13.6	1,469.7	52.8	26.4	54.2	53.8	56.3	

**Quarterly Growth Trend Data**

Graph: Trailing 4 Quarters, Last 5 Years of Data

Quarterly Data									Last 12 Months Data								
Period	EPS		Pre-Tax Profit			Sales		Income Tax Rate	EPS	Pre-Tax Profit		Sales	Income Tax		%Change		
	\$	%Change	\$ Mil	%Sales	%Change	\$ Mil	%Change			\$	\$ Mil		%Sales	\$ Mil	%Rate	EPS	Pre-Tax Profit
03/18	1.10	111.5	31.2	11.2	85.4	279.0	71.3	12.6	5.32	185.8	13.5	1,374.1	53.6	28.9	58.8	64.9	63.8
12/17	1.43	41.6	55.0	13.6	57.5	405.0	71.0	35.3	4.74	171.4	13.6	1,258.0	56.9	33.2	39.4	50.8	50.1
09/17	1.40	62.8	50.9	13.9	72.5	365.9	69.2	33.8	4.32	151.3	13.9	1,089.8	49.6	32.8	37.6	47.2	40.0
06/17	1.39	44.8	48.6	15.0	54.9	324.2	45.6	33.8	3.78	129.9	13.8	940.2	42.7	32.9	24.3	34.6	27.8
03/17	0.52	-8.8	16.8	10.3	-5.5	162.9	0.3	30.1	3.35	112.7	13.4	838.8	37.1	33.0	22.3	30.4	24.8
12/16	1.01	34.7	34.9	14.8	45.1	236.8	34.0	33.6	3.40	113.7	13.6	838.3	38.7	34.0	36.0	41.6	33.0
09/16	0.86	13.2	29.5	13.6	27.0	216.3	24.3	34.0	3.14	102.8	13.2	778.3	35.3	34.3	50.2	51.7	38.5
06/16	0.96	45.5	31.4	14.1	47.8	222.7	40.2	34.2	3.04	96.6	13.1	735.9	33.0	34.2	82.0	75.3	53.2
03/16	0.57	72.7	17.8	11.0	52.1	162.5	34.6	34.4	2.74	86.4	12.9	672.0	29.6	34.2	90.3	81.0	57.0
12/15	0.75	120.6	24.1	13.6	108.2	176.8	63.0	34.7	2.50	80.3	12.7	630.2	27.5	34.2	88.0	86.4	64.4
09/15	0.76	123.5	23.2	13.3	120.4	174.0	88.0	33.6	2.09	67.8	12.1	561.9	23.2	34.3	57.1	63.6	65.1
06/15	0.66	53.5	21.2	13.4	52.8	158.8	49.3	34.2	1.67	55.1	11.5	480.5	18.8	34.1	30.7	52.2	68.1
03/15	0.33	50.0	11.7	9.7	65.9	120.7	59.0	34.3	1.44	47.7	11.2	428.0	16.4	34.3	-6.4	74.4	97.5
12/14	0.34	0.0	11.6	10.7	16.7	108.4	65.6	34.9	1.33	43.1	11.2	383.3	14.9	34.5	-19.2	88.9	135.4
09/14	0.34	18.1	10.5	11.4	99.3	92.5	143.2	33.1	1.33	41.4	12.2	340.3	11.5	27.8	12.4	171.2	180.9
06/14	0.43	-37.7	13.9	13.1	172.5	106.4	185.0	35.0	1.28	36.2	12.7	285.8	7.3	20.1	-7.7	162.7	168.0
03/14	0.22	-32.9	7.1	9.3	183.0	75.9	245.7	35.0	1.54	27.4	12.6	216.8	3.2	11.8			
12/13	0.34	376.4	9.9	15.2	315.0	65.5	174.9	8.0	1.65	22.8	14.0	162.8	0.8	3.6			
09/13	0.29	-41.1	5.3	13.9	39.8	38.0	61.5	2.6	1.18	15.3	12.6	121.2	0.3	2.2			
06/13	0.69		5.1	13.7		37.3		1.7									
03/13	0.33		2.5	11.4		22.0		1.9									
12/12	-0.12		2.4	10.0		23.8		2.4									
09/12	0.49		3.8	16.1		23.6		0.9									