

# TheStreet Quant Ratings

## LGI HOMES INC

BUY					HOLD					SELL					BUY	RATING SINCE	06/16/2020			
A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	E+	E	E-		F	TARGET PRICE	\$161.69		
Annual Dividend Rate NA					Annual Dividend Yield NA					Beta 1.68					Market Capitalization \$3.1 Billion		52-Week Range \$33.00-\$132.98		Price as of 11/5/2020 \$123.19	

Sector: **Construction** | Industry Group: **Residential Building Construction**

### LGIH BUSINESS DESCRIPTION

LGI Homes, Inc. designs, constructs, and sells homes in the United States. It offers entry-level homes, such as detached and attached homes, and move-up homes under the LGI Homes brand name; and luxury series homes under the Terrata Homes brand name.

### STOCK PERFORMANCE (%)

	3 Mo.	1 Yr.	3 Yr (Ann)
Price Change	5.59	70.50	27.02

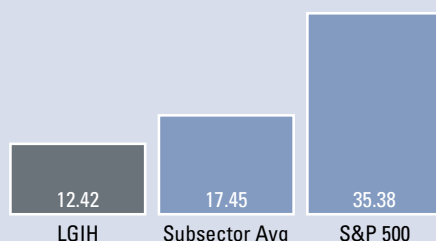
### GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	10.58	25.24	23.96
Net Income	80.35	61.35	35.75
EPS	82.38	60.00	31.93

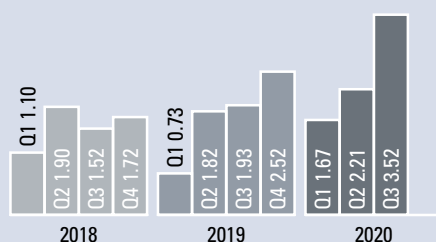
### RETURN ON EQUITY (%)

	LGIH	Subsector Avg	S&P 500
Q3 2020	24.91	24.93	11.22
Q3 2019	20.12	31.16	15.63
Q3 2018	24.21	30.95	14.82

### P/E COMPARISON



### EPS ANALYSIS<sup>1</sup> (\$)



NA = not available NM = not meaningful

1 Compustat fiscal year convention is used for all fundamental data items.

Weekly Price: (US\$) | SMA (50) — SMA (100) ---

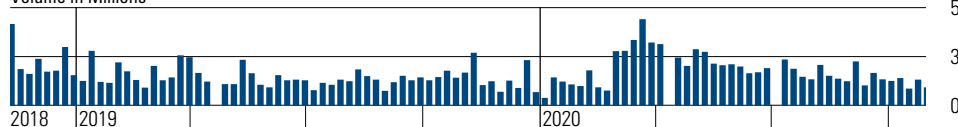
1 Year | 2 Years



### Rating History



### Volume in Millions



COMPUSTAT for Price and Volume, TheStreet Ratings, Inc. for Rating History

### RECOMMENDATION

We rate LGI HOMES INC (LGIH) a BUY. This is driven by some important positives, which we believe should have a greater impact than any weaknesses, and should give investors a better performance opportunity than most stocks we cover. The company's strengths can be seen in multiple areas, such as its solid stock price performance, impressive record of earnings per share growth, compelling growth in net income, revenue growth and largely solid financial position with reasonable debt levels by most measures. We feel its strengths outweigh the fact that the company shows low profit margins.

### HIGHLIGHTS

Powered by its strong earnings growth of 82.38% and other important driving factors, this stock has surged by 70.50% over the past year, outperforming the rise in the S&P 500 Index during the same period. Regarding the stock's future course, although almost any stock can fall in a broad market decline, LGIH should continue to move higher despite the fact that it has already enjoyed a very nice gain in the past year.

LGI HOMES INC reported significant earnings per share improvement in the most recent quarter compared to the same quarter a year ago. The company has demonstrated a pattern of positive earnings per share growth over the past two years. We feel that this trend should continue. During the past fiscal year, LGI HOMES INC increased its bottom line by earning \$7.00 versus \$6.24 in the prior year. This year, the market expects an improvement in earnings (\$9.54 versus \$7.00).

The net income growth from the same quarter one year ago has significantly exceeded that of the S&P 500 and the Construction of Buildings subsector. The net income increased by 80.3% when compared to the same quarter one year prior, rising from \$49.35 million to \$89.00 million.

Despite its growing revenue, the company underperformed as compared with the subsector average of 11.3%. Since the same quarter one year prior, revenues rose by 10.6%. Growth in the company's revenue appears to have helped boost the earnings per share.

The debt-to-equity ratio is somewhat low, currently at 0.61, and is less than that of the subsector average, implying that there has been a relatively successful effort in the management of debt levels.

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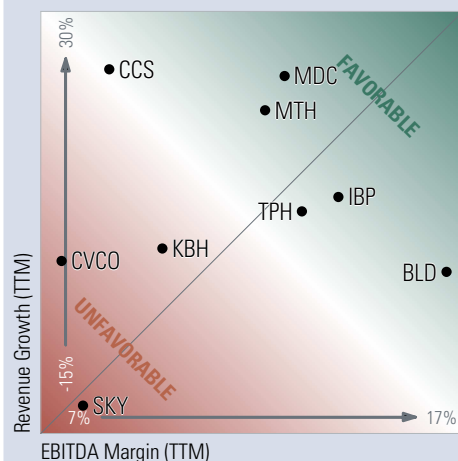
## LGI HOMES INC

Sector: Construction | Residential Building Construction

Annual Dividend Rate <b>NA</b>	Annual Dividend Yield <b>NA</b>	Beta <b>1.68</b>	Market Capitalization <b>\$3.1 Billion</b>	52-Week Range <b>\$33.00-\$132.98</b>	Price as of 11/5/2020 <b>\$123.19</b>
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### PEER GROUP ANALYSIS

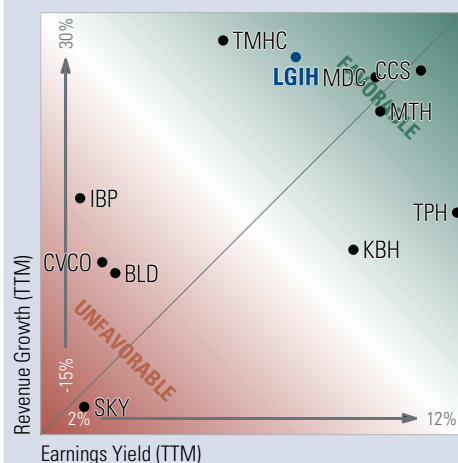
#### REVENUE GROWTH AND EBITDA MARGIN\*



Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between \$1.5 Billion and \$5.8 Billion. Companies with NA or NM values do not appear.

\*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization.

#### REVENUE GROWTH AND EARNINGS YIELD



Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between -12.1% and 27%. Companies with NA or NM values do not appear.

### SUBSECTOR ANALYSIS

LGI HOMES INC falls within the Construction sector and the Residential Building Construction industry group of the North American Industry Classification System or NAICS. More precisely, a significant portion of company activities involve New Housing For-Sale Builders.

TheStreet Quant Ratings is currently tracking 66 companies in the Construction sector that total around \$204 billion in market capitalization as well as \$245 billion in annual sales.

The Construction of Buildings subsector accounts for 60.4% of those revenues.

The Construction of Buildings subsector comprises establishments primarily responsible for the construction of buildings. The work performed may include new work, additions, alterations, or maintenance and repairs. The on-site assembly of precast, panelized, and prefabricated buildings and construction of temporary buildings are included in this subsector. Part or all of the production work for which the establishments in this subsector have responsibility may be subcontracted to other construction establishments--usually specialty trade contractors. Establishments in this subsector are classified based on the types of buildings they construct. This classification reflects variations in the requirements of the underlying production processes.

#### PEER GROUP: Construction of Buildings

Ticker	Company Name	Recent Price (\$)	Market Cap (\$M)	Price/Earnings	Net Sales TTM (\$M)	Net Income TTM (\$M)
<b>LGIH</b>	<b>LGI HOMES INC</b>	<b>123.19</b>	<b>3,091</b>	<b>12.42</b>	<b>2,076.18</b>	<b>252.34</b>
BLD	TOPBUILD CORP	176.60	5,832	26.56	2,658.90	222.25
MTH	MERITAGE HOMES CORP	96.56	3,632	9.95	4,227.12	374.56
TMHC	TAYLOR MORRISON HOME CORP	25.61	3,328	15.81	6,038.25	203.68
KBH	KB HOME	35.28	3,194	10.63	4,547.59	313.32
MDC	MDC HOLDINGS INC	48.08	3,119	10.06	3,780.51	312.68
IBP	INSTALLED BLDG PRODUCTS INC	101.25	3,017	33.98	1,612.99	88.60
TPH	TRI POINTE GROUP INC	17.94	2,275	8.42	3,340.89	285.09
CVCO	CAVCO INDUSTRIES INC	201.39	1,850	28.94	1,041.83	64.62
SKY	SKYLINE CHAMPION CORP	30.59	1,733	32.89	1,239.04	52.45
CCS	CENTURY COMMUNITIES INC	45.68	1,523	9.08	2,965.96	167.70

The peer group comparison is based on Major Construction of Buildings companies of comparable size.

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### LGI HOMES INC

1450 Lake Robbins Drive, Suite 430  
The Woodlands, TX 77380  
USA  
Phone: 281-362-8998  
<http://www.lgihomes.com>

### STOCK-AT-A-GLANCE

Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of LGIH shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock's strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR	SCORE					
<b>Growth</b>	<b>5.0</b> out of 5 stars	★	★	★	★	★
Measures the growth of both the company's income statement and cash flow. On this factor, LGIH has a growth score better than 90% of the stocks we rate.		weak				strong
<b>Total Return</b>	<b>5.0</b> out of 5 stars	★	★	★	★	★
Measures the historical price movement of the stock. The stock performance of this company has beaten 90% of the companies we cover.		weak				strong
<b>Efficiency</b>	<b>5.0</b> out of 5 stars	★	★	★	★	★
Measures the strength and historic growth of a company's return on invested capital. The company has generated more income per dollar of capital than 90% of the companies we review.		weak				strong
<b>Price volatility</b>	<b>3.5</b> out of 5 stars	★	★	★	☆	☆
Measures the volatility of the company's stock price historically. The stock is less volatile than 60% of the stocks we monitor.		weak				strong
<b>Solvency</b>	<b>3.0</b> out of 5 stars	★	★	★	☆	☆
Measures the solvency of the company based on several ratios. The company is more solvent than 50% of the companies we analyze.		weak				strong
<b>Income</b>	<b>0.5</b> out of 5 stars	☆	☆	☆	☆	☆
Measures dividend yield and payouts to shareholders. This company pays no dividends.		weak				strong

### THESTREET QUANT RATINGS RESEARCH METHODOLOGY

TheStreet Quant Ratings' stock model projects a stock's total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

# TheStreet Quant Ratings

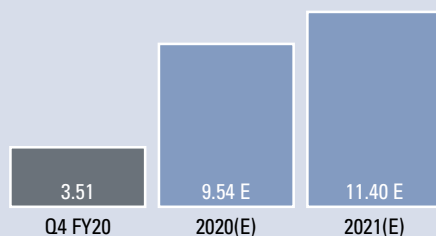
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### Consensus EPS Estimates<sup>2</sup> (\$)

IBES consensus estimates are provided by Thomson Financial



### FINANCIAL ANALYSIS

LGI HOMES INC's gross profit margin for the third quarter of its fiscal year 2020 is essentially unchanged when compared to the same period a year ago. The company has grown its sales and net income during the past quarter when compared with the same quarter a year ago, and although its growth in net income has outpaced the subsector average, its revenue growth has not.

At the same time, stockholders' equity ("net worth") has greatly increased by 30.32% from the same quarter last year.

**STOCKS TO BUY:** TheStreet Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit [www.TheStreetRatings.com](http://www.TheStreetRatings.com).

### INCOME STATEMENT

	Q3 FY20	Q3 FY19
Net Sales (\$mil)	534.20	483.08
EBITDA (\$mil)	NA	64.19
EBIT (\$mil)	77.44	64.03
Net Income (\$mil)	89.00	49.35

### BALANCE SHEET

	Q3 FY20	Q3 FY19
Cash & Equiv. (\$mil)	46.34	37.03
Total Assets (\$mil)	1,762.84	1,636.19
Total Debt (\$mil)	618.68	756.72
Equity (\$mil)	1,012.67	777.05

### PROFITABILITY

	Q3 FY20	Q3 FY19
Gross Profit Margin	25.31%	24.15%
EBITDA Margin	NA	13.28%
Operating Margin	14.50%	13.25%
Sales Turnover	1.18	1.01
Return on Assets	14.31%	9.55%
Return on Equity	24.91%	20.12%

### DEBT

	Q3 FY20	Q3 FY19
Current Ratio	NA	NA
Debt/Capital	0.38	0.49
Interest Expense	NA	10.60
Interest Coverage	NA	6.04

### SHARE DATA

	Q3 FY20	Q3 FY19
Shares outstanding (mil)	25	23
Div / share	0.00	0.00
EPS	3.52	1.93
Book value / share	40.35	33.86
Institutional Own %	NA	NA
Avg Daily Volume	265,376	361,167

<sup>2</sup> Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

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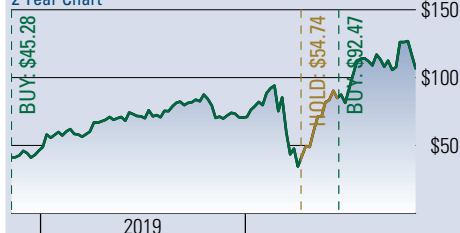
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### RATINGS HISTORY

Our rating for LGI HOMES INC has not changed since 6/16/2020. As of 11/5/2020, the stock was trading at a price of \$123.19 which is 7.4% below its 52-week high of \$132.98 and 273.3% above its 52-week low of \$33.00.

#### 2 Year Chart



### MOST RECENT RATINGS CHANGES

Date	Price	Action	From	To
6/16/20	\$92.47	Upgrade	Hold	Buy
4/9/20	\$54.74	Downgrade	Buy	Hold
11/5/18	\$45.28	No Change	Buy	Buy

Price reflects the closing price as of the date listed, if available

### RATINGS DEFINITIONS & DISTRIBUTION OF THE STREET RATINGS

(as of 11/5/2020)

**26.42% Buy** - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

**37.50% Hold** - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

**36.08% Sell** - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

**TheStreet Quant Ratings**  
14 Wall Street, 15th Floor  
New York, NY 10005  
[www.thestreet.com](http://www.thestreet.com)

Research Contact: 212-321-5381  
Sales Contact: 866-321-8726

### VALUATION

BUY. This stock's P/E ratio indicates a discount compared to an average of 15.33 for the Construction of Buildings subsector and a significant discount compared to the S&P 500 average of 35.38. For additional comparison, its price-to-book ratio of 3.05 indicates a discount versus the S&P 500 average of 3.79 and a discount versus the subsector average of 3.16. The current price-to-sales ratio is well below the S&P 500 average and is also below the subsector average, indicating a discount. Upon assessment of these and other key valuation criteria, LGI HOMES INC proves to trade at a discount to investment alternatives.

Price/Earnings	1	2	3	4	5
		premium			discount

**LGIH 12.42** **Peers 17.45**

- Discount. A lower P/E ratio than its peers can signify a less expensive stock or lower growth expectations.
- LGIH is trading at a significant discount to its peers.

Price/Projected Earnings	1	2	3	4	5
		premium			discount

**LGIH 10.81** **Peers 19.87**

- Discount. A lower price-to-projected earnings ratio than its peers can signify a less expensive stock or lower future growth expectations.
- LGIH is trading at a significant discount to its peers.

Price/Book	1	2	3	4	5
		premium			discount

**LGIH 3.05** **Peers 3.16**

- Average. A lower price-to-book ratio makes a stock more attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- LGIH is trading at a valuation on par with its peers.

Price/Sales	1	2	3	4	5
		premium			discount

**LGIH 1.49** **Peers 1.55**

- Average. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- LGIH is trading at a valuation on par with its subsector on this measurement.

Price/CashFlow	1	2	3	4	5
		premium			discount

**LGIH NA** **Peers 9.55**

- Neutral. The P/CF ratio is the stock's price divided by the sum of the company's cash flow from operations. It is useful for comparing companies with different capital requirements or financing structures.
- Ratio not available.

Price to Earnings/Growth	1	2	3	4	5
		premium			discount

**LGIH 0.35** **Peers 0.94**

- Discount. The PEG ratio is the stock's P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
- LGIH trades at a significant discount to its peers.

Earnings Growth	1	2	3	4	5
		lower			higher

**LGIH 60.00** **Peers -7.82**

- Higher. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- LGIH is expected to have an earnings growth rate that significantly exceeds its peers.

Sales Growth	1	2	3	4	5
		lower			higher

**LGIH 25.24** **Peers 1.96**

- Higher. A sales growth rate that exceeds the subsector implies that a company is gaining market share.
- LGIH has a sales growth rate that significantly exceeds its peers.

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