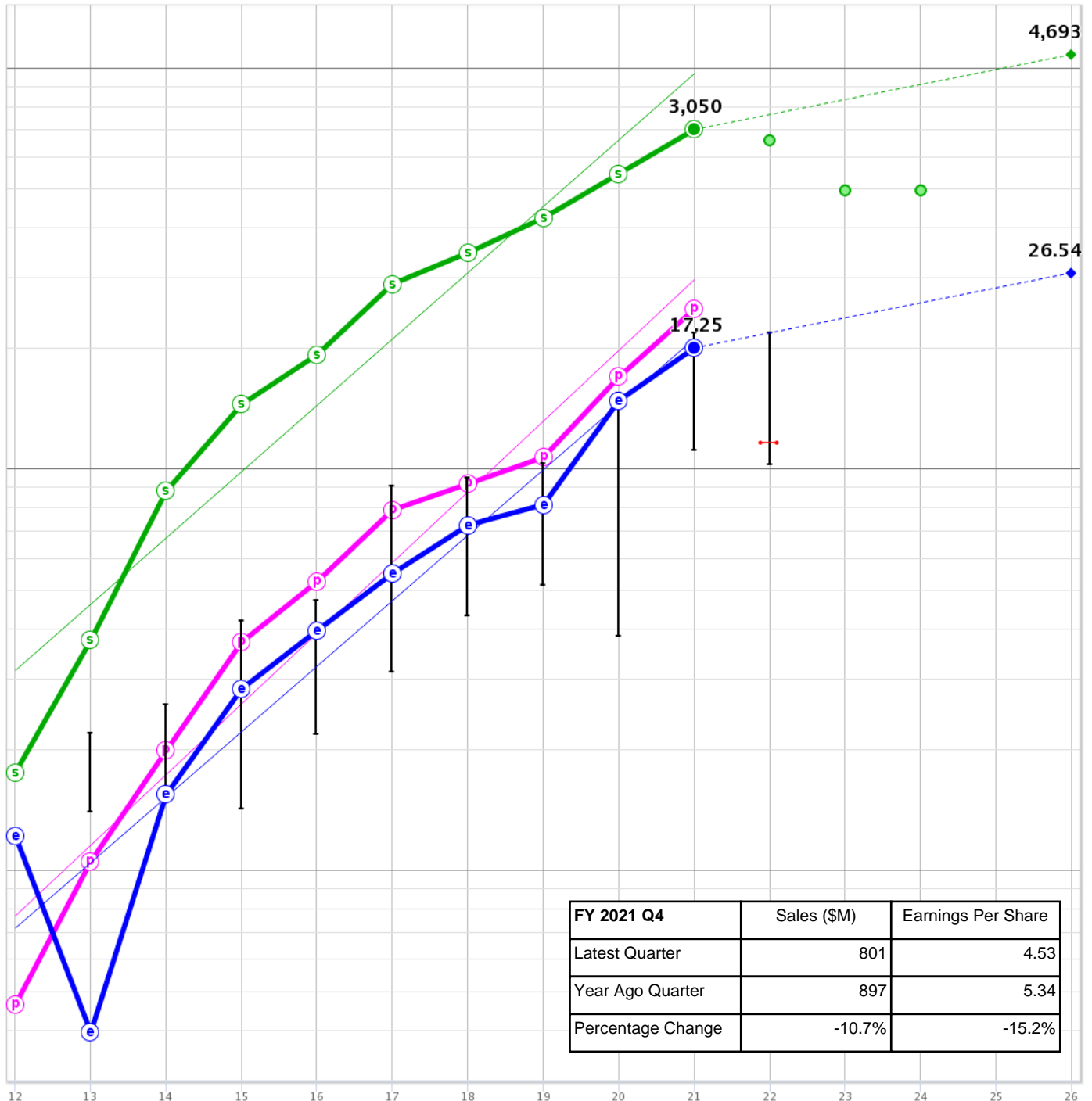


Stock Selection Guide

| | | | |
|--|-------|--|---------------|
| Company <u>LGI Homes</u> | | Date <u>05/05/22</u> | |
| Prepared by <u>MURPHY</u> | | Data taken from <u>BI Stock Data</u> | |
| Where traded <u>NAS</u> | | Industry <u>Residential Construction</u> | |
| Capitalization --- Outstanding Amounts Reference | | | |
| Preferred (\$M) | 0.0 | % Insiders | % Institution |
| Common (M Shares) | 24.5 | 3.8 | 85.3 |
| Debt (\$M) | 810.6 | % to Tot Cap | 36.7 |
| | | % Pot Dil | 1.7 |

Symbol: **LGIH**

1 VISUAL ANALYSIS of Sales, Earnings, and Price



- | | | | |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth | 46.3% | (3) Historical Earnings Per Share Growth | 45.6% |
| (2) Estimated Future Sales Growth | 9.0% | (4) Estimated Future Earnings Per Share Growth | 9.0% |

2 EVALUATING Management

LGI Homes

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Last 5 Year Avg. |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------------------|
| Pre-tax Profit on Sales | 13.1% | 14.0% | 11.2% | 12.7% | 13.6% | 13.6% | 13.2% | 12.6% | 15.5% | 17.8% | 14.5% |
| % Earned on Equity | | 18.7% | 14.2% | 22.1% | 22.0% | 23.1% | 23.1% | 22.9% | 31.5% | 30.9% | 26.3% |
| % Debt To Capital | 37.3% | 17.8% | 54.2% | 55.5% | 53.0% | 49.2% | 49.9% | 45.2% | 32.3% | 36.7% | 42.7% |

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 100.26 (05/05/22)

HIGH THIS YEAR 188.00

LOW THIS YEAR 88.13

| | 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 | |
| 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 | |
| 2020 | 133.0 | 33.0 | 12.76 | 10.4 | 2.6 | 0.00 | 0.0 | 0.0 | |
| 2021 | 188.0 | 95.5 | 17.25 | 10.9 | 5.5 | 0.00 | 0.0 | 0.0 | |
| AVERAGE | | 47.3 | | 12.7 | 5.2 | | 0.0 | | |
| CURRENT/TTM | | | 17.24 | | | 0.00 | 0.0 | | |
| AVERAGE PRICE EARNINGS RATIO: 9.0 | | | | | CURRENT PRICE EARNINGS RATIO: 5.8 | | | | |

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 9.1 X Estimate High Earnings/Share 26.54 = Forecasted High Price \$ 241.5

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 5.2 X Estimate Low Earnings/Share 18.05 = Forecasted Low Price \$ 93.9

(b) Avg. Low Price of Last 5 Years 47.3

(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 \$ 65.0

C ZONING using 33%-33%-33%

Forecasted High Price 241.5 Minus Forecasted Low Price 65.0 = 176.5 Range. 33% of Range 58.8

Buy Zone 65.0 to 123.8

Hold Zone 123.8 to 182.7

Sell Zone 182.7 to 241.5

Present Market Price of 100.26 is in the **BUY** Zone

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

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{241.5 - 100.26}{100.26 - 65.0} = \frac{141.27}{35.26} = 4.0$ To 1

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

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{241.5 - 100.26}{100.26} = 2.4090$ X 100 = 240.90 - 100 = 140.9 % 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 $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{0.00}{100.26} = 0.0000 = 0.0\%$ Current Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{0.0\%}{9.10} = 0.0\%$

AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{0.0\%}{7.15} = 0.0\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 19.2 %
Average Yield 0.0 %
Annualized Rate of Return 19.2 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

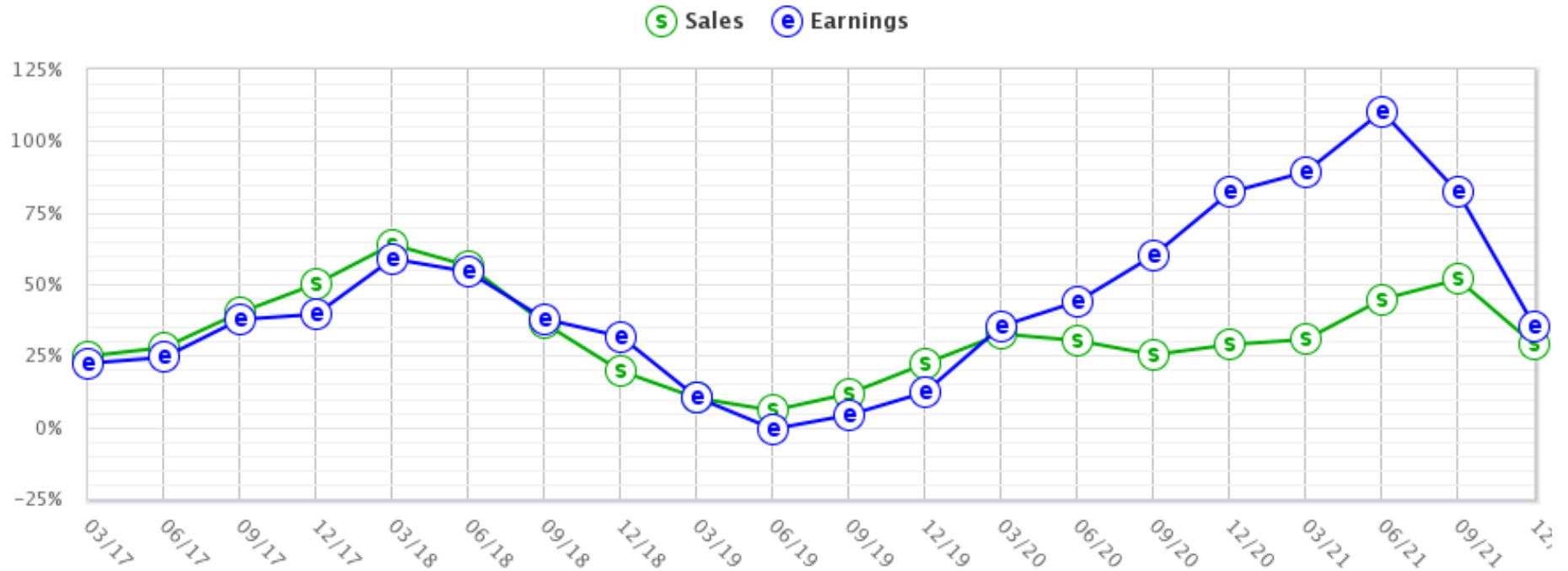
Annualized Appreciation 13.6 %
Average Yield 0.0 %
Annualized Rate of Return 13.6 %

Notes: LGIH 5/8/22

| Date | Subject | Description | Type |
|----------|--------------------------|--|-------|
| 05/08/22 | LGIH: 5/8/2022 | M*datafeed no longer gives LHIH 2-yr estimates or long range estimates. LGIH is cyclical and follows the economy. There are supply shortages, labor shortages, interest rate increases, and mortgage rates have quickly increased from 3 to 5%. Although the company has done well so far, the signs of a slowdown are obvious. There is a decline in orders, fewer but higher priced closings and they are feeling cost pressures. I have lowered sales and eps estimates accordingly, but the company still remains in a BUY zone. | Study |
| 11/18/21 | LGIH Nov. 18, 2021 3rd Q | LGIH is hitting on all cylinders. But their torrid growth is starting to slow.. Yahoo analysts and Manifest Investing are still predicting over 16% eps, and I am sticking with 15%, and using it for both revenue and earnings. Kept the PE's of the previous studies. Stock is in the hold range but very close to a buy. | Study |

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 |
| 12/21 | 4.53 | -15.2 | 143.4 | 17.9 | -13.9 | 801.1 | -10.7 | 22.4 | 17.24 | 542.8 | 17.8 | 3,050.1 | 112.8 | 20.8 | 35.3 | 47.6 | 28.8 |
| 09/21 | 4.05 | 15.1 | 127.0 | 16.9 | 63.2 | 751.6 | 40.7 | 20.8 | 18.05 | 565.9 | 18.0 | 3,146.5 | 111.5 | 19.7 | 82.0 | 97.8 | 51.6 |
| 06/21 | 4.71 | 113.1 | 149.1 | 18.8 | 117.4 | 791.5 | 64.3 | 20.8 | 17.52 | 516.8 | 17.6 | 2,929.1 | 56.4 | 10.9 | 110.3 | 89.2 | 44.6 |
| 03/21 | 3.95 | 136.5 | 123.3 | 17.5 | 124.6 | 706.0 | 55.2 | 19.2 | 15.02 | 436.2 | 16.7 | 2,619.2 | 45.6 | 10.4 | 89.2 | 64.6 | 30.6 |
| 12/20 | 5.34 | 111.9 | 166.5 | 18.6 | 96.2 | 897.4 | 48.2 | 18.1 | 12.74 | 367.8 | 15.5 | 2,367.9 | 41.0 | 11.1 | 82.0 | 58.7 | 28.8 |
| 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 |

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 | Sales |
| 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 | |
| 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 | | | | | | | | | | |