



Long Stock Report by: Oluwatobi Sanyaolu, CFA

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Applied Portfolio Management

Professor Dr. John M. Longo, CFA

1. Executive Summary

Deleveraged Balance Sheet: PulteGroup’s debt to equity ratio has declined from an elevated level of 83% in 2017 to a record low of 35% in 2021, emphasizing management’s commitment to one of its four-pronged capital allocation priorities, which are: paying down debt, investing in the business, paying dividends, and repurchasing stock. The company’s management is keeping to its words and has so far delivered on all priority areas.

Growing ROE: The company’s ROE has increased by a massive 180 bps, growing from 10% in 2017 to 28% in 2021. Dupont analysis of this metric shows reduced tax burden, declining financial leverage, a non-existent interest burden due to offsetting income from its mortgage banking operations, and an expanding operating margin as the causative factors for the impressive growth in ROE.

Consistent Cash Flow from Operations In 2021, PulteGroup’s cash flow from operations was \$1.0 billion, which brought its five-year total to a massive \$6.0 billion. Generating consistent and positive operating cash flows from a capital-intensive business like homebuilding is commendable.

Stock Buyback and Reduced Share Count: The company has returned over \$2.6 billion to shareholders and has bought back over one third of the company over the last five years. To quote management, “In 2021, we repurchased 17.7 million shares, or approximately 6% of our common shares outstanding. Along with increasing our land investment in 2021, we raised our dividend payout per share by 17% as we distributed \$148 million in dividends. In combination with our \$897 million of share repurchases, we returned over \$1.0 billion to our shareholders.”

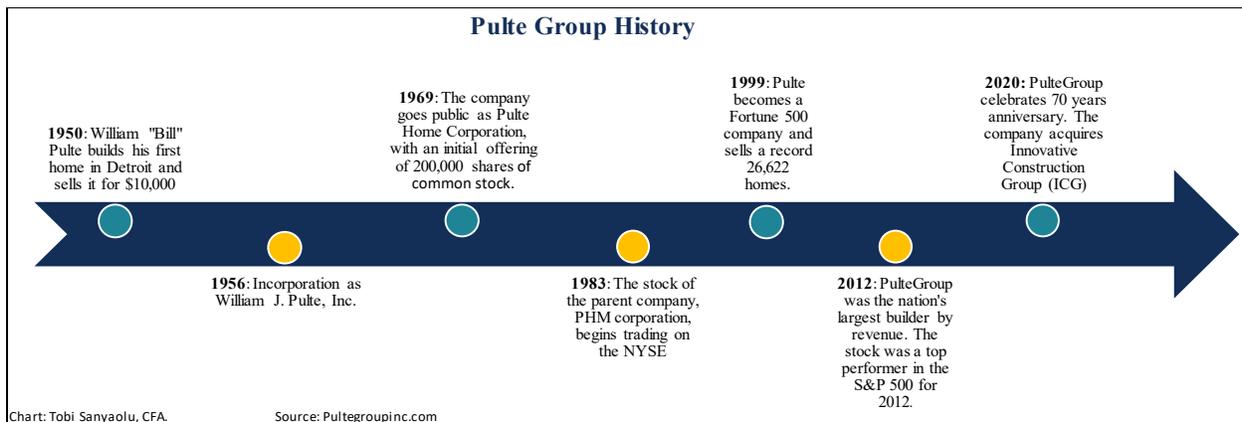
Graham and Buffet View: The company’s business model is easy to understand – acquire undeveloped lots, develop them, build on them at customers demand, and sell at profitable price. As of fiscal year, ended December 31, 2021, PulteGroup’s Price to Book ratio was 1.36, which is less than 1.5. And its current Forward P/E of 4.07 times 1.5 equals 6.1, which is also less than 22.5. Additionally, In the last 20 years, Pulte has consistently paid out dividends to shareholders.

Recommendation	BUY
Price Target	\$61.37
Ticker NYSE	PHM
Sector	Consumer Cyclical
Industry	Residential Construction
Key Data Points	
Average Trading Volume	3,089,566
Current Price	\$43.31
52-Week Range	\$39.61 - \$63.91
Forward Dividend (Yield)	0.60 (1.39%)
Current P/E	5.64x
Forward P/E	4.07x
Debt/Equity	0.35
Current/Ratio	4.95
Price/Book	1.36
ROA	15%
ROE	28%
Gross Margin	28%
Operating Margin	18%
Profit Margin	14%
Market Cap	10.19B
Enterprise Value	10.21B

2. Company Overview

2.1. Company Profile

PulteGroup, the Atlanta-headquartered home construction company, was founded in 1950 by Bill Pulte and has delivered almost 750,000 homes throughout the United States. The company prides itself as a builder of incredible places where people can live their dreams, and it is today the nation’s third largest homebuilder by revenues, with a market share of 4%. The company also has financial services businesses, including mortgage banking, title, and insurance brokerage operations. Homebuilding is the core business, which includes the acquisition and development of land primarily for residential purposes within the U.S. and the construction of housing on such land. This business accounts for over 97% of total revenues. The company markets under the industry’s best known brands: PulteGroup, Centex, Del Webb, DiVosta, American West, and John Wieland Homes and Neighborhoods, and has operations in over forty major cities across twenty-four states.



Brands



2.2. Business Segments and Buyer Groups

For reporting purposes, the company aggregates its homebuilding operations into six reportable segments: Northeast, Southeast, Florida, Midwest, Texas, and West. As of fiscal year-end 2021, the Florida, Texas, and West segments accounted for over 60% of its homebuilding operations.

FY21 Closings, Revenues, and Owned Lots Stats

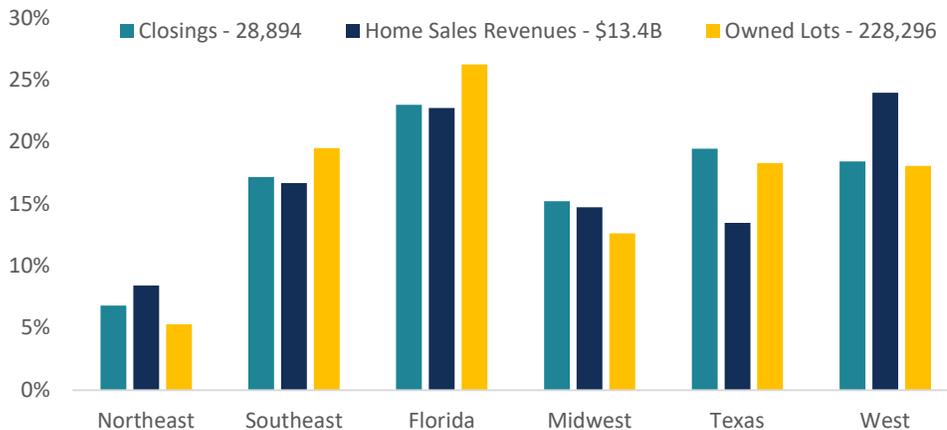
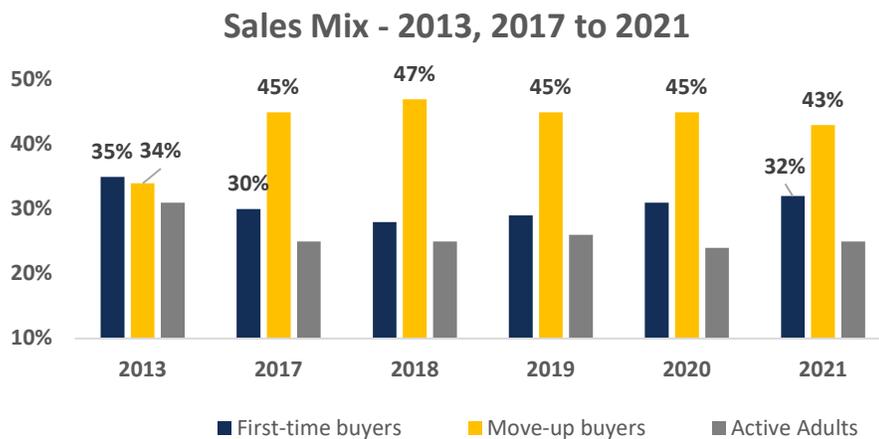


Chart: Tobi Sanyaolu; Source: PulteGroup, Form 10-K, 2021

For sales and marketing purposes, the company segregates its customers into three categories: First-time, Move-up, and Active Adults buyer groups. Historically, the company generated a sizable portion of its homebuilding revenues from the First-time buyer group, but starting in 2011, it began to transition towards the Move-up buyer group due to more favorable market trends for that customer category. By 2017, that transition had steadied and revenues from Move-up buyers reached 45%, peaking at 47% in 2018. With the changing demographics and entry of Millennials into the homebuying market, the company is slowly repositioning its business toward the First-time buyer group once again.



2.3. Management Team

The Management team boasts of a combined experience of 102 years, with the President and CEO, Ryan Marshall, having served 21-plus years with the company as of 2021. The team has spearheaded PulteGroup’s four-pronged strategy of: investing in the business; paying out dividend to shareholders; repurchasing common stock; and paying down debt. In line with the first strategy, in 2020, the company acquired Innovative Construction Group (ICG), a leading off-site solutions provider in Jacksonville, Florida, focused on single-family and multifamily wood framed construction, and through this acquisition, PulteGroup has established a second plant in Florence, SC, and has additional plants in the planning and assessment phase. These plants are part of a long-term strategy of switching from an on-site construction model to a pre-fabricated factory network model.

Also, a review of the company’s quarterly financial results over the past four quarters showed a minimal percentage of earning surprise relative to analysts’ estimates, which is a testament to Management’s understanding of the business and a culture of transparency with the investing public.

Management Team and Years of Service

Name	Position	Age	Joined Pulte	Became Executive Officer	Years of Service
Ryan R. Marshall	President and CEO	47	2001	2012	21+
John J. Chadwick	Executive VP and COO	60	1991	2019	31+
Robert T. O'Shaughnessy	Executive VP and CFO	56	2011	2011	11+
Todd N. Sheldon	Executive VP, General Counsel and Corporate Secretary	54	2017	2017	5+
Michelle Hairston	Senior VP, Human Resources	45	2003	2018	18+
Brien P. O'Meara	VP and Controller	49	2005	2020	16+

EPS and Earnings Surprise - Last Four Quarters

Earnings History	3/30/2021	6/29/2021	9/29/2021	12/30/2021
EPS Est.	1.2	1.74	1.79	2.31
EPS Actual	1.28	1.72	1.82	2.51
Difference	0.08	-0.02	0.03	0.2
Surprise %	6.70%	-1.10%	1.70%	8.70%

Source: Yahoo! Finance

2.4. SWOT Analysis

Strengths:

Over the years, PulteGroup has invested in building a portfolio of trusted and recognized brands, which has earned the company a competitive advantage in the fragmented building industry. With operations in twenty-four states and forty markets, spanning three buyer groups (First-time, Move-up, and Active Adults), the company enjoys diversified sources of revenues that have contributed to its healthy balance sheet. Coupled with these, the company has a disciplined and richly experienced management team.

Opportunities:

PulteGroup’s business model is nimble and that has allowed it to oscillate between First-time and Move-up buyer groups with ease, when the needs arise. With the entry of millennials into the housing market, it has begun repositioning its business toward First-time buyers from the current Move-up buyers group, which currently account for 45% of its revenues. Also, rising rents continues to create opportunities for the company among potential buyers since the once easy alternative of rental properties is now costly. An emerging trend from the pandemic is the increasing desire of the workforce to continue working from home, which comes with a greater need for a livable and workable space. Additionally, opportunities abound for the company to grow its profitability in the future as it continues to invest in off-site construction factory plants and adopt technological innovations through virtual reality walkthroughs of floor plans.

Weaknesses and Threats:

Based on Morningstar’s ESG rating, PulteGroup currently has a medium ESG risk like most of its peers. To provide greater transparency on its ESG programs, in 2021, it launched Pulte Cares, a website where interested parties can find details about its policies and programs in areas such as corporate values, sustainability, and diversity and inclusion. The company takes longer to turnover its land inventory, but that has continued to improve in the last few years since its adoption of owning option contracts on land. Rising mortgage rates, shortage of construction workers (which predates the pandemic), inflationary and building supplies shortages, competition from local builders in the market it operates, as well as a dynamic political and legislative landscape round out the list of threats to the company’s business.

SWOT Analysis

	Beneficial	Harmful
Internal	<p style="text-align: center;">Strengths</p> <ol style="list-style-type: none"> 1. Diversified markets and broad line of products 2. Brand Power 3. Competitive advantage of local builders 4. Strong balance sheet and financial position 5. Experienced management team 6. Average customer FICO score of 751 	<p style="text-align: center;">Weaknesses</p> <ol style="list-style-type: none"> 1. Medium ESG risk rating 2. High Inventory Days
External	<p style="text-align: center;">Opportunities</p> <ol style="list-style-type: none"> 1. Entry of millennials into the housing market 2. Rising rents 3. Ongoing investment in off-site construction plants 4. Technology 5. Strategic Partnerships with Invitation Homes 6. Work-from-home trends 	<p style="text-align: center;">Threats</p> <ol style="list-style-type: none"> 1. Rising mortgage rates 2. Inflation and supply shortages 3. Rising labor costs 4. Market fragmentation and competition 5. Political and legislation uncertainties

2.4. ESG Assessment

As of April 17, PulteGroup had 21 ESG issues, which falls within the Medium risk spectrum, based on Morningstar’s ESG risk rating scale. It’s risk level is similar to that of its peers. In 2021, PulteGroup launched Pulte Cares, a website where interested parties can find details about its policies and programs in areas such as corporate values, sustainability, and diversity and inclusion. The company continues to expand its ESG data collection and reporting capabilities and will publish updated metrics to the website later this year.



Chart: Tobi Sanyaolu.

Source: Morningstar Inc.

2.5. Internet Traffic Analysis

In the last 3 months, PulteGroup had 2.8M visitors to its website, an increase of 29.51% from the prior three months (November 2021 to January 2022). Of the total visitors, 1.9M were unique visitors, an increase of 50.49% compared to the previous three months and the highest among its competitors. Also, compared to its competitors, PulteGroup saw an increase in the number of pages viewed by potential customers. The average time spent by visitors on the company’s website slightly declined, but an average visitor still spent over 9 minutes on the website looking at the company’s product offerings. The Bounce Rate also slightly deteriorated, with approximately 53% of visitors viewing only one page. Taken together, these all suggests an interest in the company’s products among potential customers.

Target	Visits	Unique Visitors	Pages / Visit	Avg. Visit Duration	Bounce Rate
 pulte.com	2.8M ↑29.51%	1.9M ↑50.49%	2.4 ↑1.69%	09:09 ↓0.36%	53.22% ↓0.5%
 taylor-morrison.com	2.9M ↑41.37%	1.7M ↑29.26%	3.4 ↓6.46%	07:18 ↑17.74%	40.74% ↓0.95%
 kbhome.com	2.3M ↑32.59%	1.5M ↑37.56%	3 ↓1.16%	07:40 ↑3.84%	46.69% ↓5.29%
 lennar.com	5.8M ↑19.56%	3.8M ↑21.46%	2 ↓1.05%	09:17 ↑1.46%	63.66% ↓2.94%
 drhorton.com	4.5M ↑45.94%	2.5M ↑29.45%	2.8 ↓7.6%	08:05 ↑27.3%	44.73% ↓3.1%

Source: Semrush.com

3. Industry Analysis

3.1. Industry Overview

The homebuilding industry comprises companies who construct residential homes, primarily single family homes. Major players in the industry include D.R. Horton (DHI), Lennar Corp (LEN), PulteGroup (PHM), NVR, and Taylor Morrison (TMHC). As of December 2021, PulteGroup had a market share of 4%, which makes it the third largest builder in the U.S. Apart from the foregoing large builders, the industry is highly fragmented with small and local homebuilders who hold pockets of market share in niche markets. Despite the low concentration in the industry, large builders have the competitive advantage due to size, brand name, and reputation. Also, larger builders tend to expand their operations and purchase smaller builders in pursuit of inorganic growth. A good example is PulteGroup's purchase of Centex in 2009.

The homebuilding industry is cyclical and heavily dependent on macroeconomic variables such as 30-year mortgage rate, housing starts, number of households, disposable income, unemployment rate, and consumer confidence in the economy. Major supply inputs for this industry are steel, concrete, lumber and other types of wood, stone, construction and mining equipment, roofing, siding, and insulation materials.

3.2. Key Industry Trends

1. **Offsite Construction:** This allows designing, manufacturing, and fabricating building elements in a factory. This construction technique reduces waste that is present in traditional construction due to standardization of materials. Also, offsite construction is weather-neutral as construction takes place in a factory thus eliminating contingency fees and extra labor hours.

2. **Building Information Modeling (BIM):** BIM tools provide a central database and collaborative workspace that allows building engineers, architects, builders, and clients to visualize changes in real-time to floor plans. With the traditional method, it is difficult to achieve this level of collaboration among multiple stakeholders.
3. **Construction Robotics:** Labor remains an essential input for the homebuilding, however pre-pandemic, the industry has been experiencing labor shortages, a challenge that has now increased due to the pandemic. Into this vacuum enters construction robotics. Using robotic technology, repetitive and time-consuming task can be done faster and safer through automation, thus reducing human-induced errors, labor requirements, while ensuring safety.
4. **Advanced Building Materials:** With the shifting trend towards green production inputs in most industries, the homebuilding industry has also joined the train. Innovative and sustainable materials are now replacing the older and traditional building materials. Advanced wooden and aluminum materials such as bamboo, cross-laminated timber, transparent woods, and aluminum foam that have higher strength and biodegradability are now gaining popularity.
5. **Construction Worker Safety:** To ensure worker safety, companies use PPE embedded with IoT sensors. The sensors detect signals in the form of vibrations, temperature, heart rate, steps, and more and send the information for further analysis. This allows supervisors to remotely monitor workers' health conditions and productivity.

3.3. Mortgage and Fed Rates Impact on Industry Revenue

An analysis of industry revenue data from 2003 to 2021 revealed a correlation of 0.62 between homebuilding industry revenue and the 30-year mortgage rate, and a correlation 0.75 with the Federal Funds rate. While both correlations are fairly strong, the relationship between both macroeconomic variables and homebuilding industry revenue is far from perfect. Put succinctly, a rise or fall in both 30-year mortgage rates and/or the Federal Funds rate doesn't translate into a decrease or an increase in homebuilding industry revenue. With myriads of factors affecting the industry, it makes sense that no single variable is an absolute predictor of the industry's performance. Other macroeconomic variables at play include unemployment rate, GDP growth rate, inflation rate, and wages growth rate.

Rising Mortgage and Fed Rates Don't Translate to Lower Homebuilders Industry Revenue

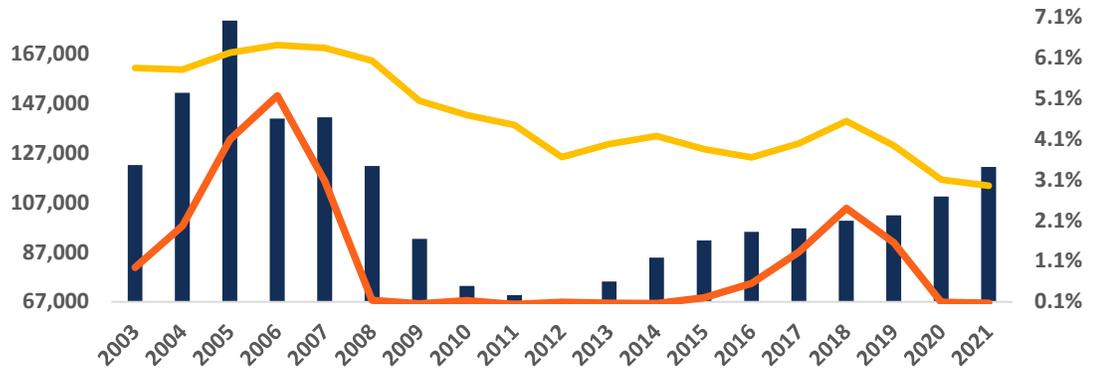


Chart: Tobi Sanyaolu, CFA
Source: U.S. Census Bureau, IBISWorld, and Statista

■ Revenue (\$ million)
— 30-Year Average Mortgage Rate
— Federal Funds Rate

The interrelationship among all these variables must be considered in assessing industry performance, and in a rising rate environment, the industry can thrive if there are other favorable economic variables. In the current rising interest rates and inflation environment, wage growth, unemployment, GDP growth have all continued to be strong. Coupled with low housing inventory and a history of underbuilding that has plagued the industry since the financial crisis, it is safe to conclude that an increase in Federal Funds rate won't dampen the industry's revenue growth. As shown in the chart below, between 2005 and 2009, the industry was characterized by overbuilding. However, starting in 2010, home constructions have lagged behind increasing numbers of households.

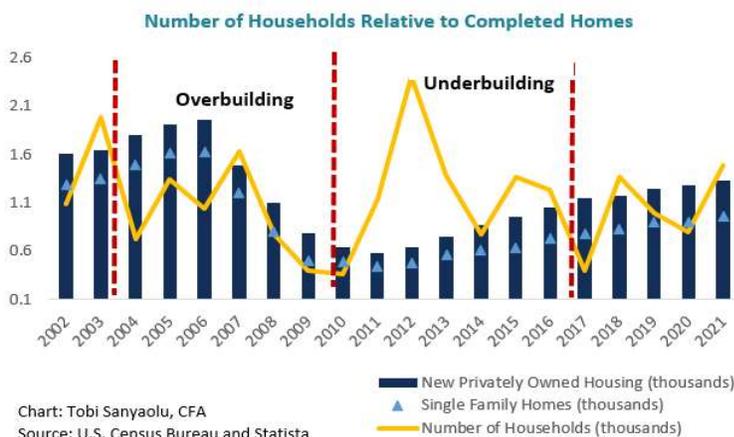


Chart: Tobi Sanyaolu, CFA
Source: U.S. Census Bureau and Statista

3.4. Competitive Advantage

With low barriers to entry, high bargaining power of suppliers, high threat of substitutes, and high industry rivalry, the competitive analysis result suggests an industry that is unprofitable, but in reality, this isn't the case. Competitive advantage in this industry is heavily reliant on the builder's reputation and brand power, two attributes that large builders possess. Consequently, with the seeming challenges presented in the competitive analysis, PulteGroup can continue to leverage its size, reputation, and power of its popular and trusted brands to achieve competitive advantage over its competitors.

PORTER'S FIVE FORCES - HOMEBUILDING INDUSTRY

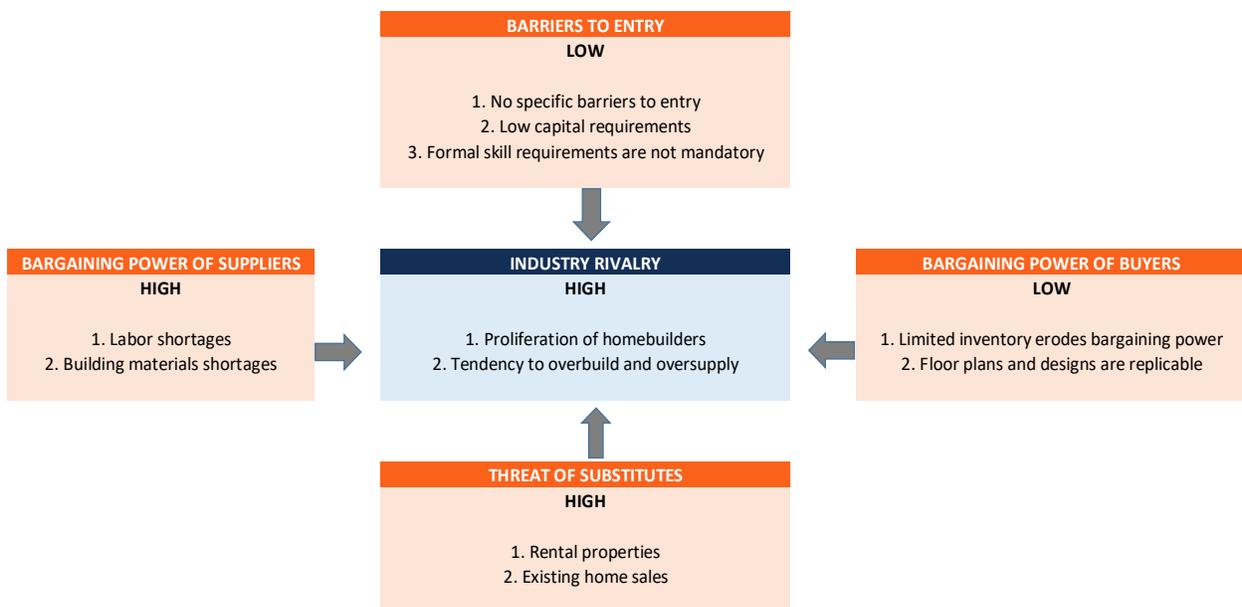


Diagram: Tobi Sanyaolu
Sources: Ibisworld and Professor Michael E. Porter

4. Financial Statement Analysis

4.1. Peer Analysis

Revenues vary widely in the industry with the gap between the revenues of the largest homebuilder (D.R. Horton) and PulteGroup (the third largest homebuilder) close to \$20B. Given this gulf in revenue size of both companies, they may not be directly comparable. The same explanation goes for Lennar, KB Homes, and Taylor Morrison (TMHC) are also small relative to PulteGroup, which also limits comparability. This leaves only NVR, Inc. (NVR) as the only comparable. All metrics were as of each company's latest financial year-ends. For completeness, metrics for all company sizes have been included in the peer analysis.

Peer Analysis

Metrics	D.R Horton	Lennar	K.B Homes	TMHC	NVR	PulteGroup
Revenues	\$28,894,200	\$28,008,724	\$5,981,981	\$7,501,265	\$8,959,750	\$13,926,882
Full-time Employees	11,788	10,753	2,244	3,000	6,600	6,182
Liquidity Ratios						
Current Ratio	6.03	9.55	1.19	6.4	5.91	4.95
Quick Ratio	1.15	1.41	0.21	1.03	3.59	1.20
Profitability Ratios						
Gross Margin	28%	20%	22%	17%	21%	28%
Operating Margin	19%	19%	12%	8%	15%	18%
ROA	17%	13%	10%	3%	16%	15%
ROE	28%	21%	19%	7%	29%	28%
ROI	20%	17%	19%	4%	20%	20%
Solvency Ratios						
LTD To Capital	26%	18%	36%	44%	32%	21%
Debt to Equity	0.33	0.22	0.56	0.81	0.48	0.35
Efficiency Ratios						
Asset Turnover	1.15	0.82	0.98	0.79	1.30	1.09
Inventory Turnover	1.20	1.15	0.93	0.95	3.47	1.44
Receivable Turnover	-	55	19	63	411	46

Compared to NVR, PulteGroup's liquidity ratios are lower, even though both of its liquidity ratios are healthy. With a Current ratio of 4.95, PulteGroup can conveniently cover its current liabilities. And a Quick ratio of 1.20 means that without inventories (mostly land held for development), it can still defray its current liabilities. It is worth stating that NVR's business model and balance sheet structure are quite different from PulteGroup's even though both companies earn a substantial part of their revenues from homebuilding. While the latter acquires, holds, and develops land lots, NVR negotiates with developers

for the exclusive option on finished lots and focuses exclusively on building homes. Consequently, it carries no land inventory on its balance sheet like PulteGroup. As of December 2021, NVR earned 97% of its total revenues from homebuilding, while PulteGroup earned 98%. So, despite the disparate business models and balance sheet structures, both companies earn the bulk of their revenues exclusively from building homes.

Moving on to profitability ratios, PulteGroup's gross margin, operating margin, and ROI metrics are all higher than NVR's, while its return on equity and return on assets ratios closely track those of NVR. Pulte's higher margin ratios stemmed from its ability to increase its selling prices for finished homes to offset rising costs.

Compared to NVR, PulteGroup's solvency ratios are much lesser than NVR's suggesting a less risky capital structure. This comes as no surprise as Pulte has made deleveraging of its balance sheet a prime focus in its four-pronged capital allocation priority.

Metrics	2017	2018	2019	2020	2021	Trend
Revenue Growth	12%	18%	1%	7%	26%	
Liquidity Ratios						
Current Ratio	4.73	5.68	5.68	5.93	4.95	
Quick Ratio	0.86	1.38	1.38	1.99	1.43	
Profitability Ratios						
Gross Margin	23%	25%	25%	27%	28%	
Operating Margin	11%	13%	13%	16%	18%	
ROA	5%	10%	9%	12%	15%	
ROE	10%	23%	20%	23%	28%	
ROI	6%	13%	12%	15%	20%	
Solvency Ratios						
LTD To Capital	0.42	0.39	0.34	0.30	0.21	
Debt to Equity	0.83	0.70	0.57	0.48	0.35	
Efficiency Ratios						
Asset Turnover	0.9	1.0	1.0	0.9	1.0	
Inventory Turnover	1.1	1.3	1.3	1.4	1.4	
Receivable Turnover	27.4	29.3	40.8	40.9	46.5	

4.2. Trend and Dupont Analysis

In the last five years, all of PulteGroup's financial ratios have trended in the right direction, with the exception of the Current and Quick ratios in 2021 which decreased slightly due to higher deferred revenue for homebuilding contracts signed in that year but with completion scheduled for 2022. Deferred revenue increased by \$395M in 2021 due in part to the timing of the contract and supply shortages.

Also in the last five years, shareholders’ return on equity (ROE) have more than doubled, growing from 10% in 2017 to 28% in 2021. A five-way decomposition of this ratio using Dupont Analysis revealed that growing ROE is rising on the one hand, by the company’s operational efficiency as reflected in the Operating Margin ratio, and on the other hand, by its focus on deleveraging the balance sheet, as supported by the declining Financial Leverage ratio. This declining leverage has also rubbed off positively on the company’s Interest Burden ratio. The company carries no interest burden because of its low debt profile as well as the offsetting effect of interest income from its mortgage banking business on interest expenses. Although it sells loans originated by its mortgage banking subsidiary, interest income is recognized for the duration of the period the loans exist on the company’s balance sheet.

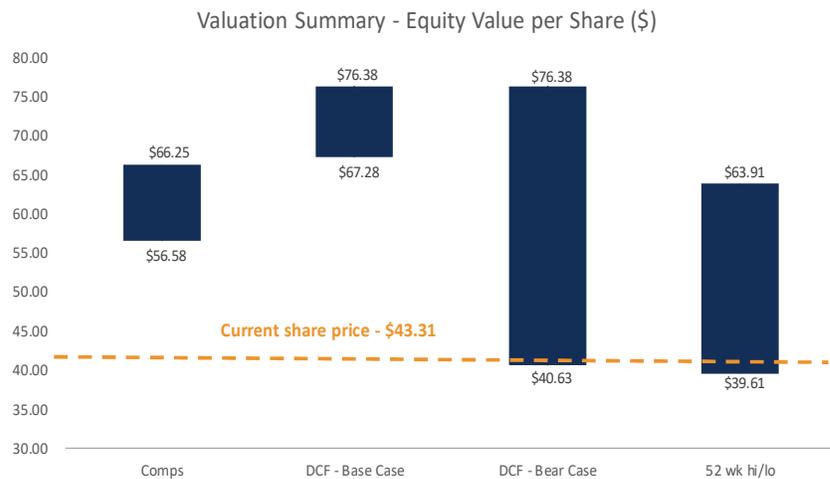
Dupont Analysis

Component	2017	2018	2019	2020	2021	Trend
Tax Burden	47.9%	75.8%	75.9%	81.4%	77.5%	
Asset Turnover	0.9	1.0	1.0	1.0	1.1	
Financial Leverage	225.4%	221.4%	203.3%	190.6%	181.8%	
Interest Burden	100.2%	100.5%	101.2%	100.1%	100.1%	
Operating Margin	11.0%	13.2%	13.0%	15.6%	18.0%	
Return on Equity	10%	23%	20%	23%	28%	

5. Valuation

Two valuation techniques were used in the determination of PulteGroup’s intrinsic value – Relative Valuation and Discounted Cash Flow (DCF). Based on a comparison of both analysis with the company’s historical share price in the last 52 weeks, its intrinsic value lies within a range of \$56.58 to \$67.28. For the Relative Valuation technique, I have identified two companies, NVR Inc., and Taylor Morrison. The 2022 forecast sales, EBITDA, and earnings were gathered for both, and using the current

Valuation Summary



market data, relevant multiples were calculated. The averages of these multiples were then compared to those of PulteGroup's and applied to its metrics to produce the range of prices presented in the Valuation Summary figure. Due to the reasons laid out previously for the similarity between PulteGroup and NVR, I believe that PulteGroup should be valued at a similar valuation to NVR since both companies generate over 97% of their total revenue from homebuilding despite business model differentiations. The inclusion of Taylor Morrison (TMHC) in the mix represents that adjustment to NVR's valuation metrics. Although NVR's balance sheet is land-light, it is debt-heavy. On the other hand, PulteGroup is the reverse. Giving a choice between both balance sheet structures, I would go with PulteGroup's since it is less risky and more reassuring for shareholders.

Comps Table

Company	Market Data					Financial Data (Forecast)			Valuation (Forecast)				
	Price (\$/share)	Shares (M)	Market Cap (\$M)	Net Debt (\$M)	EV (\$M)	Sales (\$M)	EBITDA (\$M)	Earnings (\$M)	EV/Sales x	EV/EBITDA x	P/E x	P/S x	P/B x
NVR, Inc. (NVR)	\$4,282.88	3	\$14,391	(\$0.982)	\$14,390	\$10,370	\$1,761	\$1,505	1.4x	8.2x	9.6x	1.4x	4.9x
Taylor Morrison (TMHC)	\$27.73	116	\$3,230	\$2,469	\$5,699	\$8,800	\$1,738	\$963	0.6x	3.3x	3.4x	0.4x	0.8x
Average									1.0x	5.7x	6.5x	0.9x	2.8x
Pulte (PHM)									0.6x	4.0x	4.1x	0.6x	1.4x

WACC		
Cost of Debt		
Fixed rate debt	\$2,040,185	5.9%
Variable	626,123	2.2%
Before Tax Cost of Debt		5.1%
Cost of Equity		
10-yr T-Bill		2.8%
Beta		1.42
Market Risk Premium		5.0%
Cost of Equity		9.9%
Capital Structure		
	Debt	Equity
Actual Capital Structure	21.30%	78.70%
Target Capital Structure	22.00%	78.00%
WACC	8.6%	

Applying a weighted average cost of capital of 8.6% to the projected cash flows in the Base case, I arrived at an intrinsic value of \$67.28. Similar iterations for the Management Case and Bear Case produced intrinsic values of \$76.38 and \$40.63, respectively. Taking an equally weighted average of all three cases yielded my target price of \$61.37. I went further and included the high and low ends of my result from the relative valuation analysis, and assigned an equally weighted probability to all calculated five intrinsic values, and I also arrived at a target price of \$61.42, which is close to that above.

DCF Model									
Assumptions									
Tax Rate		21%							
Discount Rate		8.6%							
Perpetual Growth Rate		2%							
EV/EBITDA Multiple		4.6x							
Valuation Date		4/23/2022							
Current Price		43.91							
Shares Outstanding		248,651							
Discounted Cash Flow									
	Entry	2022	2023	2024	2025	2026	Exit	Terminal Value	
Date	4/23/2022	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2026	Terminal Value	23,421,578
								EV/EBITDA	14,908,140
								Average	19,164,859
EBT		1,968,010	2,481,533	2,684,085	2,923,803	3,162,439			
Interest		426	400	375	349	324			
EBIT		1,968,436	2,481,934	2,684,460	2,924,152	3,162,763			
Less: Cash Taxes		413,372	521,206	563,737	614,072	664,180			
Plus: D&A		73,407	79,396	85,875	72,242	78,137			
EBITDA		2,041,843	2,561,330	2,770,335	2,996,394	3,240,900			
Less: Capex		90,000	90,000	90,000	90,000	90,000			
Less: Changes in NWC		1,149,752	633,928	824,389	891,659	964,419			
Unlevered FCF		388,720	1,316,196	1,292,209	1,400,663	1,522,301			
(Entry)/Exit								19,164,859	
Net FCF	-	388,720	1,316,196	1,292,209	1,400,663	1,522,301	19,164,859		
Present Value									
367,128	2%	-	388,720	-	-	-	-		
1,144,336	7%	-	-	1,316,196	-	-	-		
1,033,997	6%	-	-	-	1,292,209	-	-		
1,031,745	6%	-	-	-	-	1,400,663	-		
1,032,265	6%	-	-	-	-	-	1,522,301		
12,995,596	74%	-	-	-	-	-	-	19,164,859	
17,605,067	100%	-	388,720	1,316,196	1,292,209	1,400,663	20,687,160		
Intrinsic Value			Market Value			Rate of Return			
Enterprise Value		17,605,067	Market Cap		10,918,264	Current Price		43.91	
Plus: Cash		1,779,088	Plus: Debt		2,655,166	Target Price		67.28	
Less: Debt		2,655,166	Less: Cash		1,779,088	Target Price Upside		53%	
Equity Value		16,728,989	EV		11,794,342				
Equity Value/Share		67.28	Equity Value/Share		43.91				

5.1. Other Indicators of Value

A review of the Options page on Yahoo! Finance showed 6,193 call options expiring May 20, 2022 with a strike price of \$50. The closest strike price and volume to that expiration date is at \$45 with a paltry 451 call options. With most call option traders willing to buy at \$50, that tells me the stock definitely has an intrinsic value of at least \$50, hence the target price of \$61 seems fair and reasonable.

Calls for May 20, 2022

Contract Name	Last Trade Date	Strike	Last Price	Bid	Ask	Change	% Change	Volume	Open Interest	Implied Volatility
PHM220520C00022500	2022-04-20 3:48PM EDT	22.50	21.70	0.00	0.00	0.00	-	5	0	0.00%
PHM220520C00030000	2022-04-19 1:53PM EDT	30.00	13.92	0.00	0.00	0.00	-	25	0	0.00%
PHM220520C00035000	2022-04-19 1:53PM EDT	35.00	9.06	0.00	0.00	0.00	-	25	0	0.00%
PHM220520C00040000	2022-04-25 3:41PM EDT	40.00	4.50	0.00	0.00	0.00	-	332	0	0.00%
PHM220520C00045000	2022-04-25 3:58PM EDT	45.00	1.61	0.00	0.00	0.00	-	451	0	3.13%
PHM220520C00050000	2022-04-25 3:56PM EDT	50.00	0.37	0.00	0.00	0.00	-	6,193	0	12.50%
PHM220520C00055000	2022-04-25 11:13AM EDT	55.00	0.09	0.00	0.00	0.00	-	5	0	25.00%
PHM220520C00060000	2022-03-18 9:44AM EDT	60.00	0.30	0.00	0.75	0.00	-	1	4	84.18%

Additionally, a review of the Share Statistics section on Yahoo! Finance showed traders shorted only 4.25% of the stock's free float. I interpret this to mean that short-sellers don't expect the share price to fall drastically below what it is currently trading at. Taking to the extreme, this could imply that short-sellers expect the stock to rise, hence they are not willing to take the risk of selling now only to buy at a higher price later.

Share Statistics

Avg Vol (3 month) ³	3.05M
Avg Vol (10 day) ³	2.62M
Shares Outstanding ⁵	241.42M
Implied Shares Outstanding ⁶	N/A
Float ⁸	246.94M
% Held by Insiders ¹	0.64%
% Held by Institutions ¹	93.82%
Shares Short (Mar 31, 2022) ⁴	7.99M
Short Ratio (Mar 31, 2022) ⁴	2.9
Short % of Float (Mar 31, 2022) ⁴	4.25%
Short % of Shares Outstanding (Mar 31, 2022) ⁴	3.31%
Shares Short (prior month Feb 28, 2022) ⁴	6.11M

6. Risks

1. **Rising Mortgage Rate:** The recent spike in mortgage rate may deter potential customers from embarking on homebuilding projects, consequently sales and growth forecasts may not turn out as expected.
2. **Reputational Risk:** The company may be involved in a major scandal, for example, a severe ESG violation that damages its reputation and diminish its brand power,
3. **Work-from-Home Trend:** Although the desire for workers to work from home is strong and the trend seems here to stay. However, the federal government or states may introduce irresistible initiatives that reward employers to bring employees back to work, or at the extreme, sanction employers that do not do so. This could impact the decision of potential home buyers who seek a residential and work-from-home space.
4. **Inflation:** With inflation currently raging, it remains unclear when it will peak. If it lasts longer than expected, it could cut deeper into PulteGroup's operations costs. With rising mortgage rate, which is already impacting demand, the company may not be able to raise prices like it did in a low mortgage rate environment, and hence might need to absorb the rising costs. The implication is lower revenues and higher costs, which would be a painful episode.
5. **Supply Shortages:** The lingering threat of new COVID variants may warrant an economic lockdown that could further worsen the already existing supply shortages. This could increase costs and cause delays.
6. **Market Value of Land:** This could drop and cause the company to write-down its land inventory to its net realizable value.
7. **Changing Legislations:** With the midterm elections around the corner, the future of congress and the next wave of legislations to come are unknown. Another unfavorable legislation to the homebuilding industry, such as the 2017 Job Tax Cut Act could affect how buyers assess the value of owning a real estate.

8. **Severe Weather Conditions and Natural Disasters:** PulteGroup currently does a huge portion of its construction on site. Severe weather conditions that threaten the safety of workers could cause delays or significant losses.
9. **Management Team Turnover:** PulteGroup has a management team that has significant wealth of experience due to their years of service with the company. Should the company lose members of this team, it could find it difficult to recruit adequate replacements for them.

7. Graham and Buffett View.

How would Graham and Buffett evaluate this company? I believe Buffett would appreciate the ease of understanding the company's business. Briefly, what PulteGroup does is buy land, develop them, build on them upon customer demand, and sell them for a higher price. Permitted this description may be oversimplistic, the business is straightforward and easy to grasp.

Graham would view this company from a defensive investor lens for the following reasons:

1. At a current market value of \$10 billion, PulteGroup's market cap exceeds Graham's adequate enterprise size of \$2 billion.
2. PulteGroup's financial condition is strong. With a current ratio of 4.95 as of December 2021, its current assets more than cover its current liabilities. Additionally, as of fiscal year ended December 31, Pulte had a working capital of \$10.2B and a long-term liability of only \$2.7B. Both of these metrics satisfy Graham's strong financial condition requirements – current assets should be at least twice current liabilities, and long-term debts should be less than working capital.
3. In the last 10 years, PulteGroup has delivered positive earnings for its shareholders. Also, in the last 20 years, Pulte has consistently paid out dividends to shareholders.
4. The stock is currently trading at a Forward P/E of 4.07x, which is lower than Graham's recommended threshold of 15x.
5. As of fiscal year, ended December 31, 2021, PulteGroup's Price to Book ratio was 1.36, which is less than 1.5. And its current Forward P/E of 4.07 times 1.5 equals 6.1, which is also less than 22.5.

8. Primary Research

I had an hour call with one of PulteGroup's Market Intelligence Manager, and below are five key points from that call.

1. **Comment:** PulteGroup doesn't use debt to acquire its land holdings. All land purchases are made using equity. **My Reaction:** Considering that the company is deleveraging its balance sheet, it makes sense that more of equity is being used in the acquisition of land. However, given the higher cost of equity relative to debt, I thought that a blended mix of debt and equity could provide greater returns on land investment to shareholders.
2. **Comment:** One of PulteGroup's competitive advantage is that it allows for more optionality in buyer customizations, unlike most competitors who offer standard packages that are not customizable. **My Reaction:** With ongoing investments in offsite construction in factories, a switch from onsite construction to pre-fabricated homes could affect customers' ability to customize.
3. **Comment:** Supply chain challenges keep taking new forms daily, and cost assumptions are now approached differently. Contingency funds are also being included in building estimates. **My Reaction** This sounds like the best approach in the current inflationary environment, provided buyers are still able to afford the higher selling price.
4. **Comment:** The last time interest rates hiked; the industry was very different. Unemployment rate is low, wages are growing, and the economy is still in the recovery phase from COVID. Also, housing supply is still below the required demand levels. Consequently, in the current landscape, homebuilders won't be terribly affected. In fact, the rapidly rising costs may push buyers to act quickly. **My Reaction:** I agree.
5. **Comment:** National Association of Realtors data may not be strong and dependable since those numbers are self-reported by realtors. That said, PulteGroup collects proprietary data for its business divisions. **My Reaction:** The comment was in response to my question on how the company uses data to evaluate future price actions and customer demands.

9. Appendix

PulteGroup FINANCIAL STATEMENTS	Historical Results					Forecast Period				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
					<i>Downside Case</i>	1		Share Price	\$40.63	

Assumptions

Downside Case	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Volume Growth (% Change)	5.5%	9.8%	0.5%	6.0%	17.3%	4.0%	2.0%	2.0%	2.0%	2.0%
Price Growth (% Change)	5.9%	7.6%	0.4%	0.7%	7.7%	8.5%	3.0%	3.0%	3.0%	3.0%
Revenue Growth (% Change)	11.7%	18.1%	0.9%	6.7%	26.3%	12.84%	5.06%	5.06%	5.06%	5.06%
Cost of Goods Sold (% of Revenue)	78.3%	76.7%	76.5%	74.8%	72.8%	79.0%	77.0%	77.0%	77.0%	77.0%
SG&A (% of Revenue)	10.1%	9.7%	10.0%	8.9%	8.6%	13.0%	12.0%	12.0%	12.0%	12.0%
Depreciation & Amortization (% of Revenue)	0.6%	0.5%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Interest (% of Debt)	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Income (% of Revenue)	0.0%	0.1%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax Rate (% of Earnings Before Tax)	52.1%	24.2%	24.1%	18.6%	22.5%	25%	25%	25%	25%	25%
Restricted Cash (% of Cash)	12.3%	2.1%	2.8%	1.9%	3.1%	2.0%	2.0%	2.0%	2.0%	2.0%
Residential Mortgage Loans (% of Revenue)	6.7%	4.5%	5.0%	5.1%	6.8%	7.0%	7.0%	7.0%	7.0%	7.0%
Accounts Receivable (Days)	13	12	9	9	8	13	13	13	13	13
Inventory (Days)	321	274	290	270	253	320	320	320	320	320
PPE	90,398	90,399	90,400	90,401	90,402	90,000	90,000	90,000	90,000	90,000
Other Long-Term Assets	885,314	497,298	395,720	365,127	407,297	407,297	407,297	407,297	407,297	407,297
Accounts Payable (Days)	21	16	20	23	22	23	23	23	23	23
Accrued Expenses (% of Revenue)	14.0%	10.6%	10.3%	9.1%	7.9%	7.0%	7.0%	7.0%	7.0%	7.0%
Deferred Revenue (% of Revenue)	2.9%	2.5%	2.9%	4.1%	6.1%	4.0%	4.0%	4.0%	4.0%	4.0%
Other Long Term Liabilities	241,358	290,504	379,489	507,639	638,776	638,776	638,776	638,776	638,776	638,776
Debt Issuance (Repayment) (\$000's)	(28,564)	(172,168)	(284,865)	72,510	(608,957)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Equity Issued (Repaid) (\$000's)	(910,331)	(254,150)	(253,883)	(164,814)	(878,788)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Dividend (% of Net Income)	25.0%	10.2%	12.0%	9.3%	7.6%	8.0%	8.0%	8.0%	8.0%	8.0%

Recommendation: BUY; Target Price: \$61.37

PulteGroup FINANCIAL STATEMENTS	Historical Results					Forecast Period				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
					<i>Base Case</i>	2		Share Price	\$67.28	

Assumptions

Base Case										
Volume Growth (% Change)	5.5%	9.8%	0.5%	6.0%	17.3%	6.0%	4.0%	4.0%	4.0%	4.0%
Price Growth (% Change)	5.9%	7.6%	0.4%	0.7%	7.7%	10.5%	4.0%	4.0%	4.0%	4.0%
Revenue Growth (% Change)	11.7%	18.1%	0.9%	6.7%	26.3%	17.13%	8.16%	8.16%	8.16%	8.16%
Cost of Goods Sold (% of Revenue)	78.3%	76.7%	76.5%	74.8%	72.8%	76.0%	75.0%	75.0%	75.0%	75.0%
SG&A (% of Revenue)	10.1%	9.7%	10.0%	8.9%	8.6%	11.5%	10.5%	10.5%	10.5%	10.5%
Depreciation & Amortization (% of Revenue)	0.6%	0.5%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%
Interest (% of Debt)	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Income (% of Revenue)	0.0%	0.1%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax Rate (% of Earnings Before Tax)	52.1%	24.2%	24.1%	18.6%	22.5%	25%	25%	25%	25%	25%
Restricted Cash (% of Cash)	12.3%	2.1%	2.8%	1.9%	3.1%	2.0%	2.0%	2.0%	2.0%	2.0%
Residential Mortgage Loans (% of Revenue)	6.7%	4.5%	5.0%	5.1%	6.8%	6.0%	6.0%	6.0%	6.0%	6.0%
Accounts Receivable (Days)	13	12	9	9	8	12	12	12	12	12
Inventory (Days)	321	274	290	270	253	310	310	310	310	310
PPE	90,398	90,399	90,400	90,401	90,402	90,000	90,000	90,000	90,000	90,000
Other Long-Term Assets	885,314	497,298	395,720	365,127	407,297	407,297	407,297	407,297	407,297	407,297
Accounts Payable (Days)	21	16	20	23	22	23	23	23	23	23
Accrued Expenses (% of Revenue)	14.0%	10.6%	10.3%	9.1%	7.9%	7.0%	7.0%	7.0%	7.0%	7.0%
Deferred Revenue (% of Revenue)	2.9%	2.5%	2.9%	4.1%	6.1%	4.0%	4.0%	4.0%	4.0%	4.0%
Other Long Term Liabilities	241,358	290,504	379,489	507,639	638,776	638,776	638,776	638,776	638,776	638,776
Debt Issuance (Repayment) (\$000's)	(28,564)	(172,168)	(284,865)	72,510	(508,957)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Equity Issued (Repaid) (\$000's)	(910,331)	(254,150)	(253,883)	(164,814)	(878,788)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Dividend (% of Net Income)	25.0%	10.2%	12.0%	9.3%	7.6%	8.0%	8.0%	8.0%	8.0%	8.0%

PulteGroup FINANCIAL STATEMENTS	Historical Results					Forecast Period				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
					<i>Management Case</i>	3		Share Price	\$76.38	

Assumptions

Management Case										
Volume Growth (% Change)	5.5%	9.8%	0.5%	6.0%	17.3%	7.4%	4.5%	4.5%	4.5%	4.5%
Price Growth (% Change)	5.9%	7.6%	0.4%	0.7%	7.7%	11.2%	4.5%	4.5%	4.5%	4.5%
Revenue Growth (% Change)	11.7%	18.1%	0.9%	6.7%	26.3%	19.37%	9.20%	9.20%	9.20%	9.20%
Cost of Goods Sold (% of Revenue)	78.3%	76.7%	76.5%	74.8%	72.8%	72.0%	75.0%	75.0%	75.0%	75.0%
SG&A (% of Revenue)	10.1%	9.7%	10.0%	8.9%	8.6%	9.0%	9.5%	9.5%	9.5%	9.5%
Depreciation & Amortization (% of Revenue)	0.6%	0.5%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.3%	0.3%
Interest (% of Debt)	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Income (% of Revenue)	0.0%	0.1%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax Rate (% of Earnings Before Tax)	52.1%	24.2%	24.1%	18.6%	22.5%	23%	21%	23%	23%	23%
Restricted Cash (% of Cash)	12.3%	2.1%	2.8%	1.9%	3.1%	2.0%	2.0%	2.0%	2.0%	2.0%
Residential Mortgage Loans (% of Revenue)	6.7%	4.5%	5.0%	5.1%	6.8%	7.0%	7.0%	7.0%	7.0%	7.0%
Accounts Receivable (Days)	13	12	9	9	8	12	12	12	12	12
Inventory (Days)	321	274	290	270	253	310	310	310	310	310
PPE	90,398	90,399	90,400	90,401	90,402	90,000	90,000	90,000	90,000	90,000
Other Long-Term Assets	885,314	497,298	395,720	365,127	407,297	407,297	407,297	407,297	407,297	407,297
Accounts Payable (Days)	21	16	20	23	22	23	23	23	23	23
Accrued Expenses (% of Revenue)	14.0%	10.6%	10.3%	9.1%	7.9%	7.0%	7.0%	7.0%	7.0%	7.0%
Deferred Revenue (% of Revenue)	2.9%	2.5%	2.9%	4.1%	6.1%	4.0%	4.0%	4.0%	4.0%	4.0%
Other Long Term Liabilities	241,358	290,504	379,489	507,639	638,776	638,776	638,776	638,776	638,776	638,776
Debt Issuance (Repayment) (\$000's)	(28,564)	(172,168)	(284,865)	72,510	(508,957)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Equity Issued (Repaid) (\$000's)	(910,331)	(254,150)	(253,883)	(164,814)	(878,788)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)
Dividend (% of Net Income)	25.0%	10.2%	12.0%	9.3%	7.6%	8.0%	8.0%	8.0%	8.0%	8.0%

PulteGroup FINANCIAL STATEMENTS Income Statement	Historical Results					Forecast Period				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue	8,577,686	10,188,331	10,212,957	11,036,082	13,926,882	16,624,965	18,154,877	19,825,580	21,650,029	23,642,372
Cost of Goods Sold (COGS)	6,714,890	7,814,919	7,815,568	8,257,930	10,144,460	11,969,975	13,616,158	14,869,185	16,237,521	17,731,779
Gross Profit	1,862,796	2,373,412	2,397,389	2,778,152	3,782,422	4,654,990	4,538,719	4,956,395	5,412,507	5,910,593
SG&A	870,568	983,418	1,019,969	985,966	1,204,075	1,496,247	1,724,713	1,883,430	2,056,753	2,246,025
Depreciation & Amortization	50,998	49,429	53,999	66,081	69,953	74,812	81,697	89,215	64,950	70,927
Interest	503	618	584	4,248	502	426	400	375	349	324
Interest Income	2,537	7,593	16,739	6,837	1,953	2,826	3,086	3,370	3,681	4,019
Earnings Before Tax	943,264	1,347,540	1,339,576	1,728,694	2,509,845	3,086,331	2,734,995	2,986,745	3,294,135	3,597,336
Taxes	491,607	325,517	322,876	321,855	563,525	694,425	574,349	672,018	741,180	809,401
Net Income	451,657	1,022,023	1,016,700	1,406,839	1,946,320	2,391,907	2,160,646	2,314,728	2,552,955	2,787,935

PulteGroup FINANCIAL STATEMENTS Balance Sheet	Historical Results					Forecast Period				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Assets										
Cash	272,683	1,110,088	1,217,913	2,582,205	1,779,088	2,542,588	2,783,661	3,474,962	4,269,487	5,185,868
Restricted Cash	33,485	23,612	33,543	50,030	54,477	51,890	56,809	70,918	87,132	105,834
Residential Mortgage Loans	570,600	461,354	508,967	564,979	947,139	1,163,748	1,270,841	1,387,791	1,515,502	1,654,966
Receivables	313,448	347,396	250,432	270,044	299,714	546,574	596,873	651,800	711,782	777,283
House and Land Inventory	7,540,413	7,640,293	8,127,280	8,170,096	9,641,450	10,166,280	11,564,408	12,628,623	13,790,772	15,059,867
PPE	70,706	92,935	181,742	203,017	223,466	238,654	246,957	247,742	272,792	291,864
Other Long-Term Assets	885,314	497,298	395,720	365,127	407,297	407,297	407,297	407,297	407,297	407,297
Total Assets	9,686,649	10,172,976	10,715,597	12,205,498	13,352,631	15,117,030	16,926,847	18,869,131	21,054,763	23,482,980
Liabilities										
Accounts Payable	393,815	352,029	435,916	511,321	621,168	754,272	858,004	936,962	1,023,186	1,117,345
Accrued Expenses	1,201,900	1,081,559	1,055,972	1,002,952	1,103,221	1,163,748	1,270,841	1,387,791	1,515,502	1,654,966
Deferred Revenue	250,779	254,624	294,427	449,474	844,785	664,999	726,195	793,023	866,001	945,695
Long Term Debt	3,444,771	3,376,478	3,091,613	3,164,123	2,655,166	2,505,166	2,355,166	2,205,166	2,055,166	1,905,166
Other Long Term Liabilities	241,358	290,504	379,489	507,639	638,776	638,776	638,776	638,776	638,776	638,776
Total Liabilities	5,532,623	5,355,194	5,257,417	5,635,509	5,863,116	5,726,960	5,848,983	5,961,718	6,098,631	6,261,948
Shareholder's Equity										
Equity Capital	2,868	2,771	2,702	2,665	2,493	2,493	2,493	2,493	2,493	2,493
Retained Earnings	4,151,158	4,815,011	5,455,478	6,567,324	7,487,022	9,387,576	11,075,371	12,904,920	14,953,638	17,218,539
Shareholder's Equity	4,154,026	4,817,782	5,458,180	6,569,989	7,489,515	9,390,069	11,077,864	12,907,413	14,956,131	17,221,032
Total Liabilities & Shareholder's Equity	9,686,649	10,172,976	10,715,597	12,205,498	13,352,631	15,117,030	16,926,847	18,869,131	21,054,763	23,482,980

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PulteGroup FINANCIAL STATEMENTS	Historical Results					Forecast Period				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Cash Flow Statement										
Operating Cash Flow										
Net Income	451,657	1,022,023	1,016,700	1,406,839	1,946,320	2,391,907	2,160,646	2,314,728	2,552,955	2,787,935
Plus: Depreciation & Amortization	50,998	49,429	53,999	66,081	69,953	74,812	81,697	89,215	64,950	70,927
Less: Changes in Working Capital	83,141	182,864	339,533	(58,992)	1,277,757	974,454	1,283,498	973,356	1,062,929	1,160,745
Plus: Other Adjustments	243,566	561,159	344,836	252,430	265,505	-	-	-	-	-
Cash from Operations	663,080	1,449,747	1,076,002	1,784,342	1,004,021	1,492,265	958,845	1,430,587	1,554,976	1,698,117
Investing Cash Flow										
Investments in Property & Equipment	32,051	59,039	142,806	87,356	90,402	90,000	90,000	90,000	90,000	90,000
Other Investing Activities	18,191	(17,097)	81,880	20,591	33,730	-	-	-	-	-
Cash from Investing	50,242	41,942	224,686	107,947	124,132	90,000	90,000	90,000	90,000	90,000
Financing Cash Flow										
Issuance (repayment) of debt	(28,564)	(172,168)	(331,826)	19,981	(622,591)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Dividend Paid	(112,748)	(104,020)	(122,350)	(130,179)	(147,834)	(191,353)	(172,852)	(185,178)	(204,236)	(223,035)
Share Repurchases	(910,331)	(254,150)	(253,883)	(164,814)	(878,788)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Other Financing Activities	21,725	(49,935)	(25,501)	(20,604)	(29,346)	-	-	-	-	-
Cash from Financing	(1,029,918)	(580,273)	(733,560)	(295,616)	(1,678,559)	(641,353)	(622,852)	(635,178)	(654,236)	(673,035)
Net Increase (decrease) in Cash	(417,080)	827,532	117,756	1,380,779	(798,670)	760,913	245,993	705,409	810,740	935,083
Opening Cash Balance	723,248	306,168	1,133,700	1,251,456	2,632,235	1,833,565	2,594,478	2,840,471	3,545,879	4,356,619
Closing Cash Balance	306,168	1,133,700	1,251,456	2,632,235	1,833,565	2,594,478	2,840,471	3,545,879	4,356,619	5,291,702
Restricted Cash	33,485	23,612	33,543	50,030	54,477	51,890	56,809	70,918	87,132	105,834
Cash	272,683	1,110,088	1,217,913	2,582,205	1,779,088	2,542,588	2,783,661	3,474,962	4,269,487	5,185,868
<i>Check</i>	-	-	-	-	-	-	-	-	-	-

PulteGroup FINANCIAL STATEMENTS	Historical Results					Forecast Period				
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Supporting Schedules										
Working Capital Schedule										
Residential Mortgage Loans Available-For-Sale	570,600	461,354	508,967	564,979	947,139	1,163,748	1,270,841	1,387,791	1,515,502	1,654,966
Receivables	313,448	347,396	250,432	270,044	299,714	546,574	596,873	651,800	711,782	777,283
House and Land Inventory	7,540,413	7,640,293	8,127,280	8,170,096	9,641,450	10,166,280	11,564,408	12,628,623	13,790,772	15,059,867
Accounts Payable	393,815	352,029	435,916	511,321	621,168	754,272	858,004	936,962	1,023,186	1,117,345
Accrued Expenses	1,201,900	1,081,559	1,055,972	1,002,952	1,103,221	1,163,748	1,270,841	1,387,791	1,515,502	1,654,966
Deferred Revenue	250,779	254,624	294,427	449,474	844,785	664,999	726,195	793,023	866,001	945,695
Net Working Capital (NWC)	6,577,967	6,760,831	7,100,364	7,041,372	8,319,129	9,293,583	10,577,081	11,550,437	12,613,366	13,774,111
Change in NWC	83,141	182,864	339,533	(58,992)	1,277,757	974,454	1,283,498	973,356	1,062,929	1,160,745
Depreciation Schedule										
PPE Opening	102,272	83,325	92,935	181,742	203,017	223,466	238,654	246,957	247,742	272,792
Plus Capex	32,051	59,039	142,806	87,356	90,402	90,000	90,000	90,000	90,000	90,000
Less Depreciation	50,998	49,429	53,999	66,081	69,953	74,812	81,697	89,215	64,950	70,927
PPE Closing	83,325	92,935	181,742	203,017	223,466	238,654	246,957	247,742	272,792	291,864
Debt & Interest Schedule										
Debt Opening	3,577,210	3,548,646	3,376,478	3,091,613	3,164,123	2,655,166	2,505,166	2,355,166	2,205,166	2,055,166
Issuance (repayment)	(28,564)	(172,168)	(284,865)	72,510	(508,957)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
Debt Closing	3,548,646	3,376,478	3,091,613	3,164,123	2,655,166	2,505,166	2,355,166	2,205,166	2,055,166	1,905,166
Interest Expense	503	618	584	4,248	502	426	400	375	349	324
Retained Earnings										
RE Opening	3,699,501	4,151,158	4,815,011	5,455,478	6,567,324	7,487,022	9,387,576	11,075,371	12,904,920	14,953,638
Net Income	451,657	1,022,023	1,016,700	1,406,839	1,946,320	2,391,907	2,160,646	2,314,728	2,552,955	2,787,935
Dividend Paid	(112,748)	(104,020)	(122,350)	(130,179)	(147,834)	(191,353)	(172,852)	(185,178)	(204,236)	(223,035)
Share Repurchases	(910,331)	(254,150)	(253,883)	(164,814)	(878,788)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
RE Closing	4,151,158	4,815,011	5,455,478	6,567,324	7,487,022	9,387,576	11,075,371	12,904,920	14,953,638	17,218,539

Sensitivity Analysis

Share Price Sensitivity

		Revenue Growth				
		10.13%	13.6%	17.13%	20.63%	24.13%
Exit Multiple	2.6x	63.15	64.38	65.60	66.82	68.04
	3.6x	67.77	69.14	70.50	71.87	73.24
	4.6x	72.38	73.90	75.41	76.93	78.44
	5.6x	77.00	78.66	80.32	81.98	83.64
	6.6x	81.61	83.42	85.23	87.04	88.85

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