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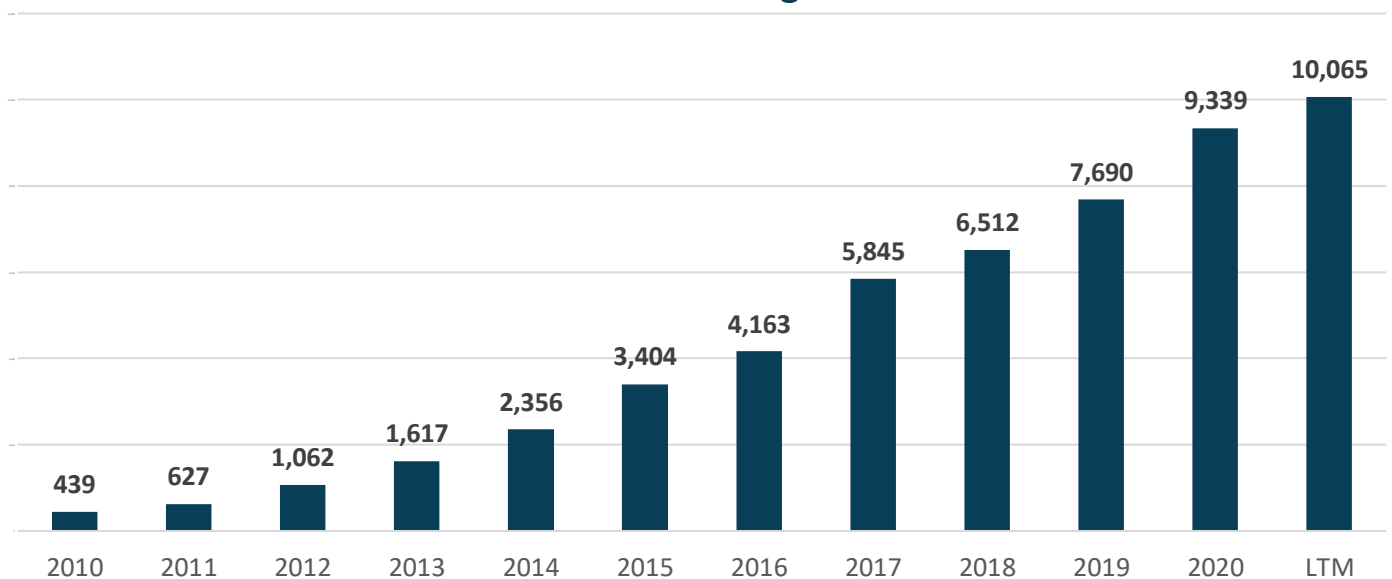
LGI Homes is a young, fast-growing company, undervalued by forecast multiples, that has well free cash flow generation with a low debt level.



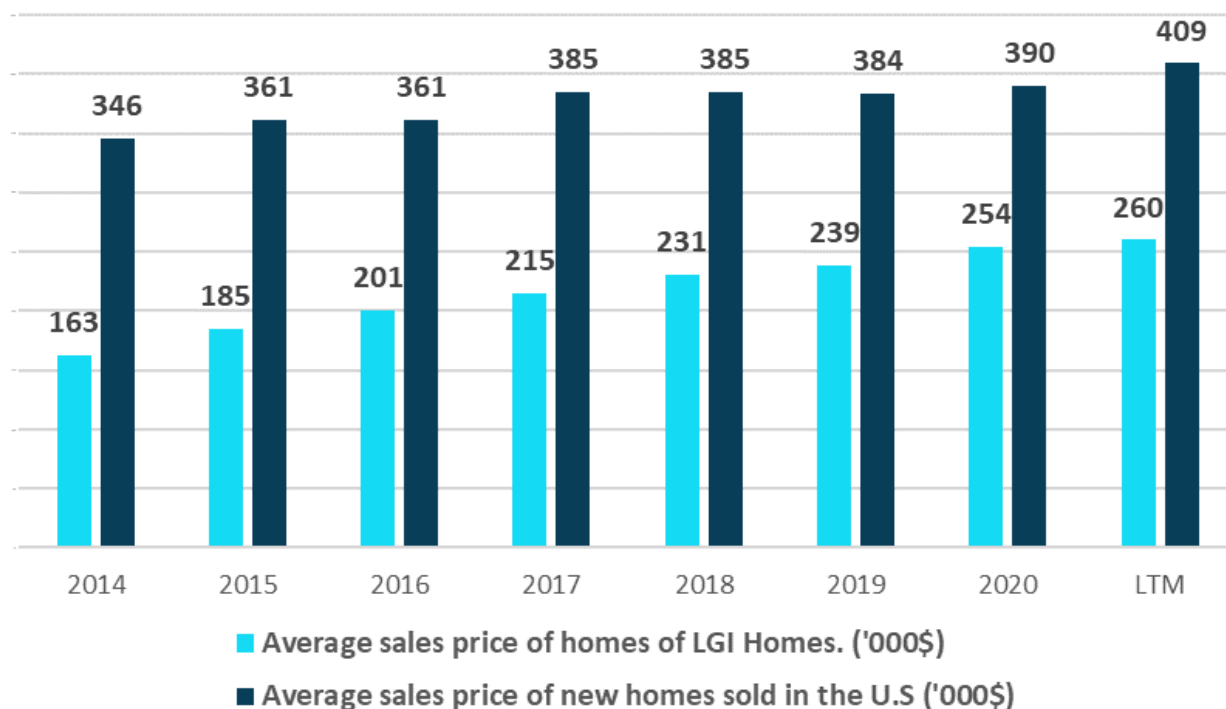
LGI Homes is an American corporation engaged in the design, construction, and sale of homes in the United States. A distinctive feature of the company from its competitors is the "Complete Home" package, which offers turnkey ready-made houses equipped with all necessary household appliances, designer interior, and exterior.

The number of rented houses is growing from year to year:

Home Closings



This is due to the successful business concept of the company. It aims at the construction and sale of cheap houses compared to the average sales prices of new homes on the U.S market:

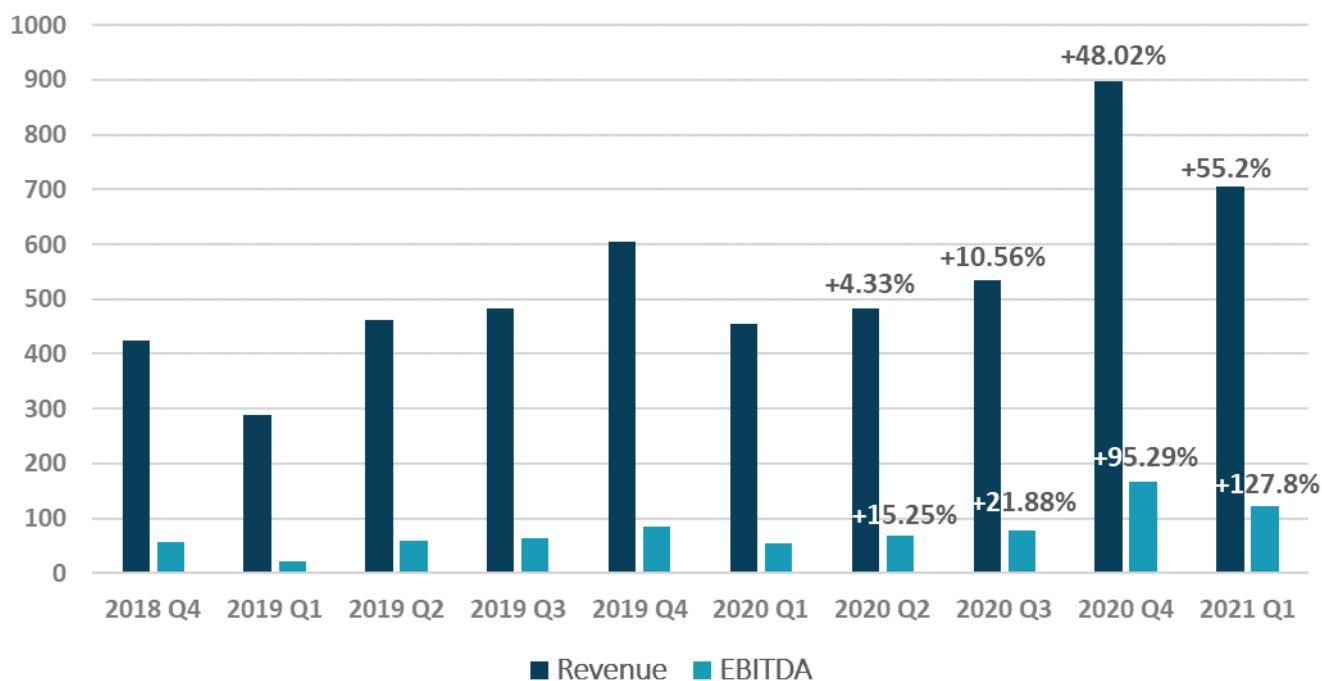


The company purchases land plots in affordable locations that are further away from urban centers than other suburban areas but have access to major transport networks, shopping areas, and business centers to reduce the average cost of a house for a client without sacrificing comfort.

West	Northwest	Central	Florida	Southeast
Phoenix, AZ Tucson, AZ Albuquerque, NM Las Vegas, NV Northern CA Southern CA	Seattle, WA Portland, OR Denver, CO	Houston, TX Dallas Ft. Worth, TX San Antonio, TX Austin, TX Oklahoma City, OK Minneapolis, MN	Tampa, FL Orlando, FL Fort Myers, FL Jacksonville, FL Fort Pierce, FL Daytona Beach, FL Sarasota, FL	Atlanta, GA Charlotte, NC Raleigh, NC Wilmington, NC Winston-Salem, NC Columbia, SC Greenville, SC Birmingham, AL Nashville, TN Washington, DC Richmond, VA
<p>The company plans to enter these real estate markets in the U.S in 2021:</p> <p>Baltimore, Maryland, Norfolk, Virginia, Knoxville, Tennessee, Salt Lake City, Utah</p>				

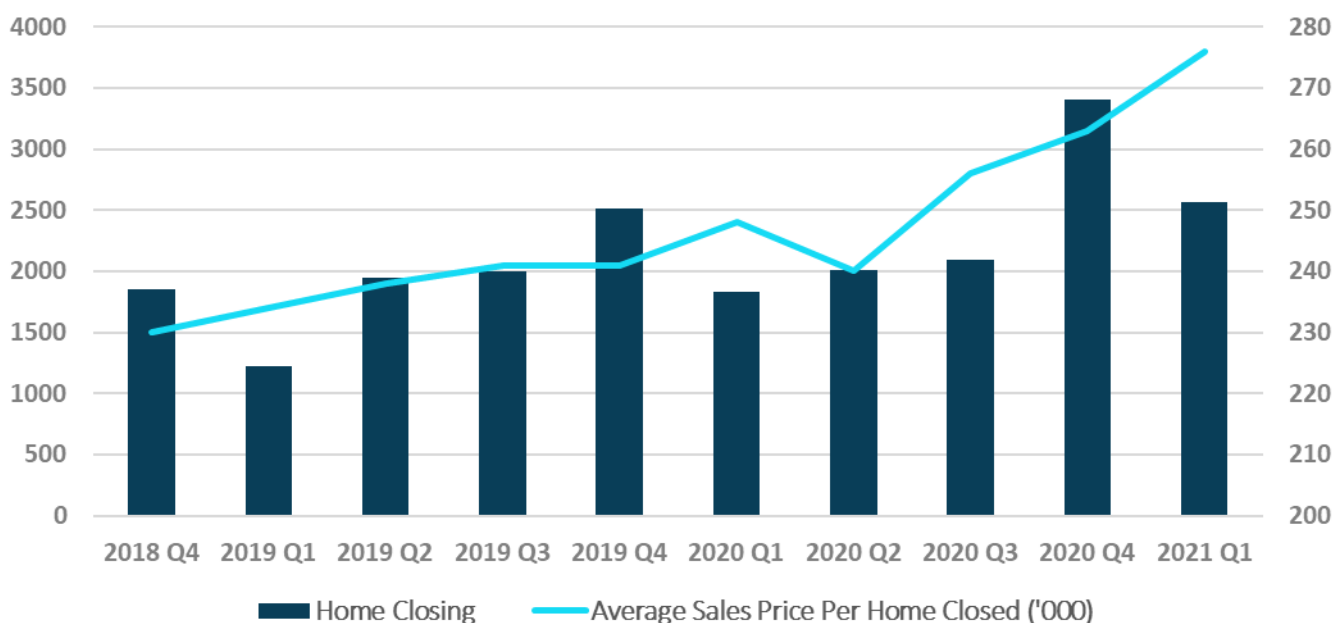
Since the IPO in 2013, the company has expanded its presence from 9 housing markets in 4 states to 34 markets in 18 states. The company intends to enter eight more housing markets in the United States in 2021, and what is more: to increase the share of its homes in existing territories.

In recent quarters, the company has shown excellent growth rates of Revenue and EBITDA with acceleration:

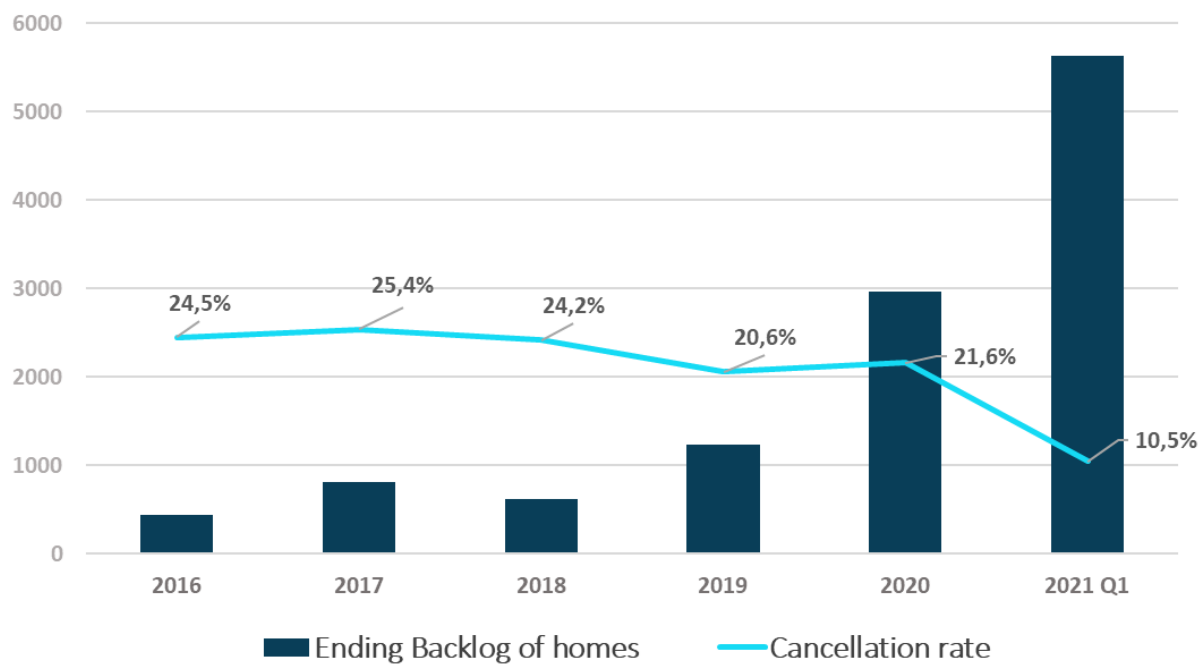


Historical growth rates are also high: revenue **24.8%**, EBITDA **39.7%**.

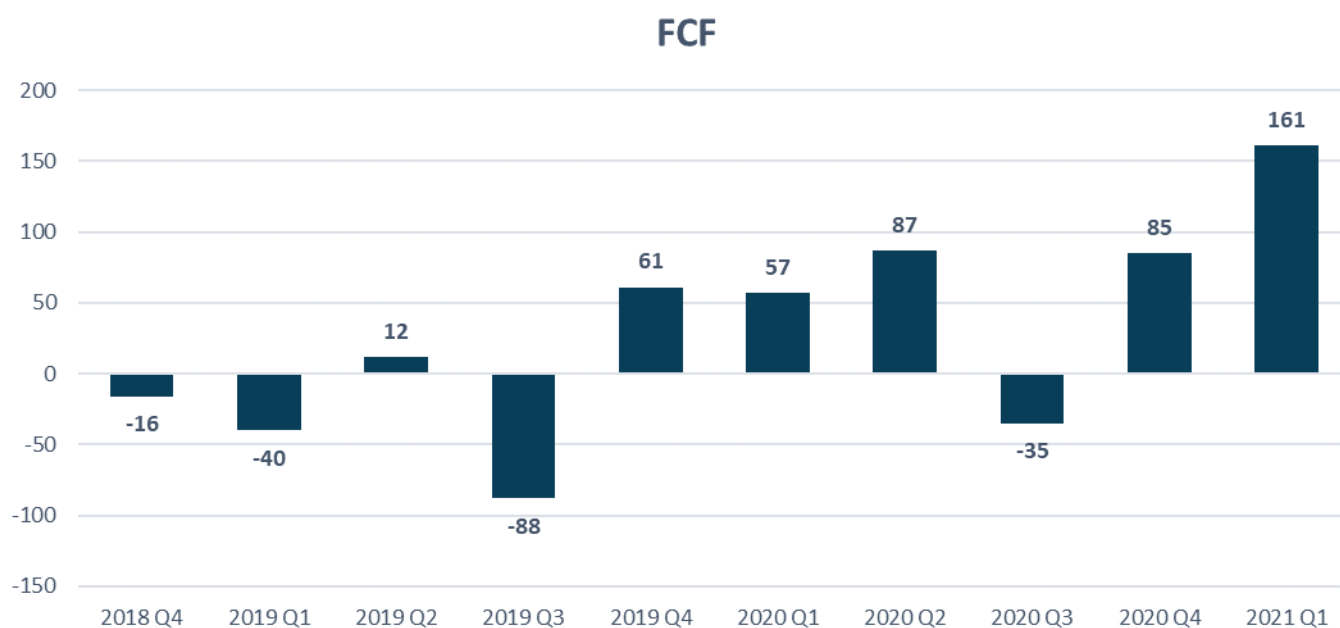
The growth of financial indicators is organic. The number of home closings is growing, as well as the average selling price per home.



The "Ending backlog - homes" indicator is growing even faster, consisting of houses for which construction, purchase, and sale contracts were and preliminary criteria for obtaining mortgage financing by customers have been met. As a rule, the construction of such houses begins within the next 6-12 months. However, there is a risk of termination of contracts by customers. At LGI Homes, the share of canceled orders tends to decrease:



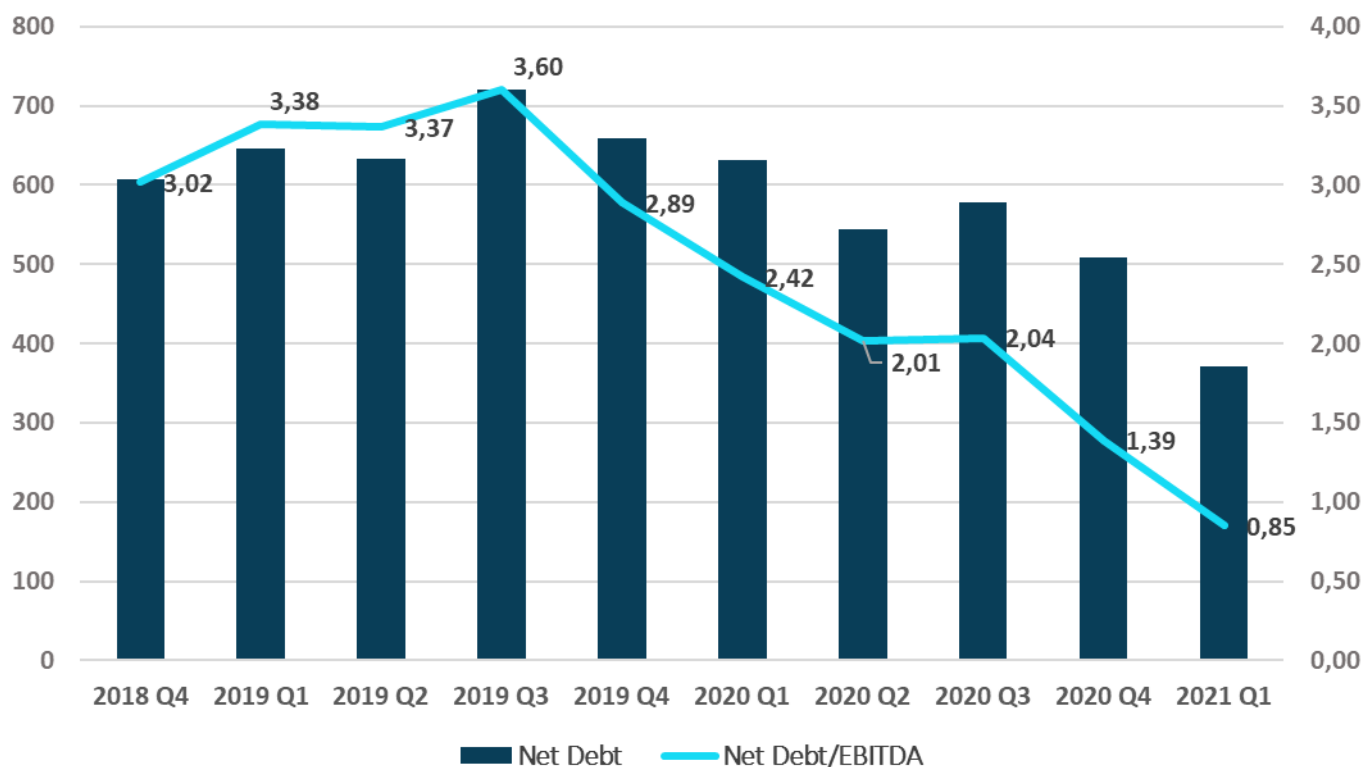
The company generates good free cash flow:



Free cash flow yield: **7.3%**

LGI Homes increased the Buyback program to \$300 million in the 3rd quarter of 2020. In the 1st quarter of 2021, the company repurchased its shares in the amount of = 25.8 million\$. According to the plan, it remains to buy back ≈ 275 million\$, which is **6.9%** of the capitalization for now. There are no deadlines for completing the program.

The company has a low level of debt:



The company undervalued relative to the forecast multiples:

Target EV/EBITDA = **11.9x**

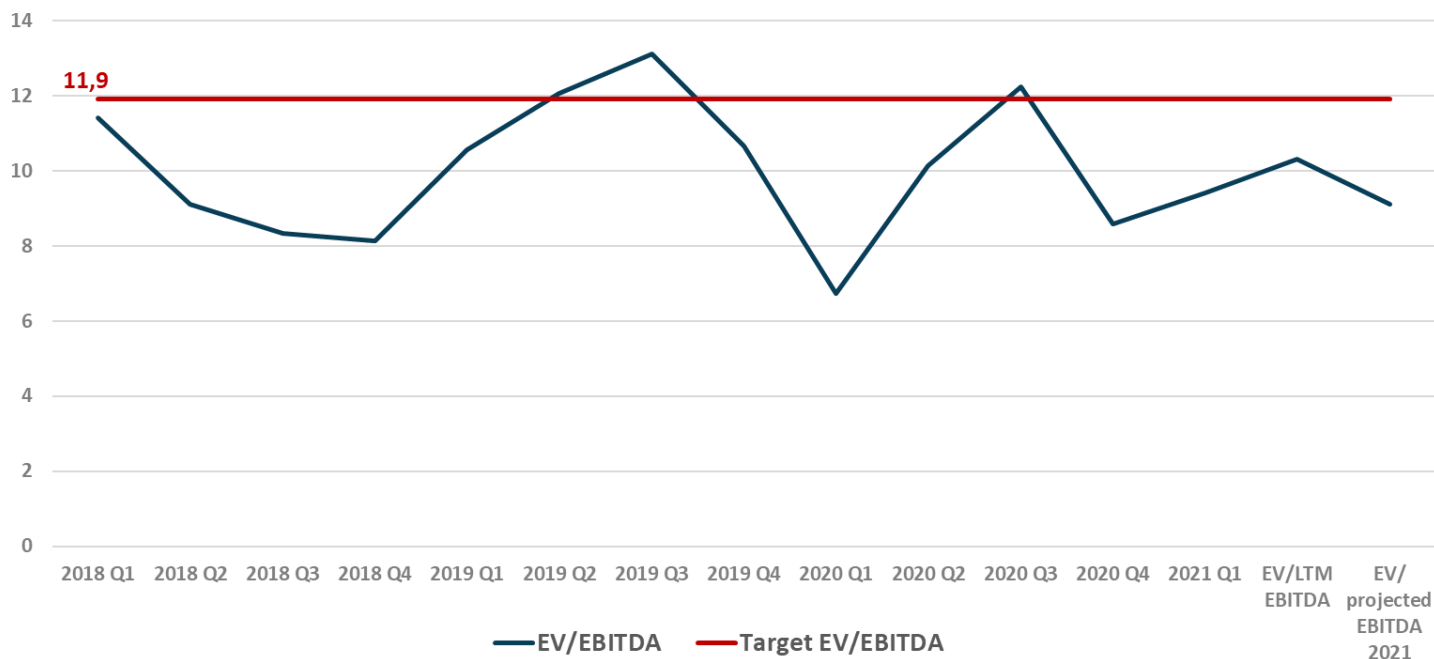
EV/ LTM EBITDA = **10.3x**

EV/ projected EBITDA = **9.12x**

The company's outlook for 2021:	
Home closings	10 300
Average sales price per home	285 000\$
Gross margin	26,70%
SG&A	10,00%

Full 2021 ('000)	
Revenue	2 935 500
Gross Profit	783 779
Operating Income	490 229
Depreciation and Amortization	837
LTM	
EBITDA	491 066

Enterprise Value (mln\$)	4 484
EV/ projected EBITDA	9.12



Upside potential: **+37.82%**

Relative to its older competitors, LGI Homes priced a little more expensive, reasonable to the much higher growth rates of financial and operational indicators.

	LGI Homes	Pulte Group	Lennar Corporation	D. R. Horton
EV, USD mln	4 484	15 421	34 784	33 591
Revenue MRQ growth, %	+55.2%	+19.0%	+18.2%	43.3%
EBITDA MRQ growth, %	+127.8%	+67.6%	+89.9%	89.1%
EV/Sales LTM	1.6x	1.3x	1.4x	1.4x
EV/EBITDA LTM	9.6x	7.4x	9.0x	8.5x
Home closings in 2020 YoY ('000)	9.4 (+21%)	24.6 (+6%)	53 (+3%)	71 (+22%)
Home closings in 1Q21 YoY ('000)	2.6 (+40%)	6 (+12%)	12.3 (+19%)	19.7 (+36%)
Backlog for 2021 ('000)	5.6 (+200%)	19 (+50%)	22 (+25%)	36 (+85%)
New Net orders for 2021 ('000)	5.2 (+111%)	9.8 (+31%)	15.5 (+26%)	27 (+35%)

Market growth prospects:

According to a report by the Jefferies Group, the US real estate market has a shortage of new homes in the amount of 2.5 million. The reason is that the millennial generation (born from 1981 to 1996) is reaching the age of buying a home, and the idea of homeownership, which has become entrenched in American culture as a symbol of success, stimulates even greater demand.

In addition, a survey made by Clever Real Estate showed that the Covid-19 pandemic pushed 30% of millennials to find their housing.

The shortage of real estate supply may worsen the main problem of the low level of homeownership in the United States among millennials – its high cost. In this case, cheap LGI Homes will enjoy even greater success and meet the growing demand.

U.S. HOMEOWNERSHIP RATE

65.8%

HOMEOWNERSHIP RATE OF PEOPLE UNDER 35 YEARS

38.1%

SHARE OF MILLENNIALS CURRENTLY SAVING TO PURCHASE A HOME

33%

The share price is 9.8% lower than the maximum for the last 3 years:

LGI Homes Inc

165.41 USD

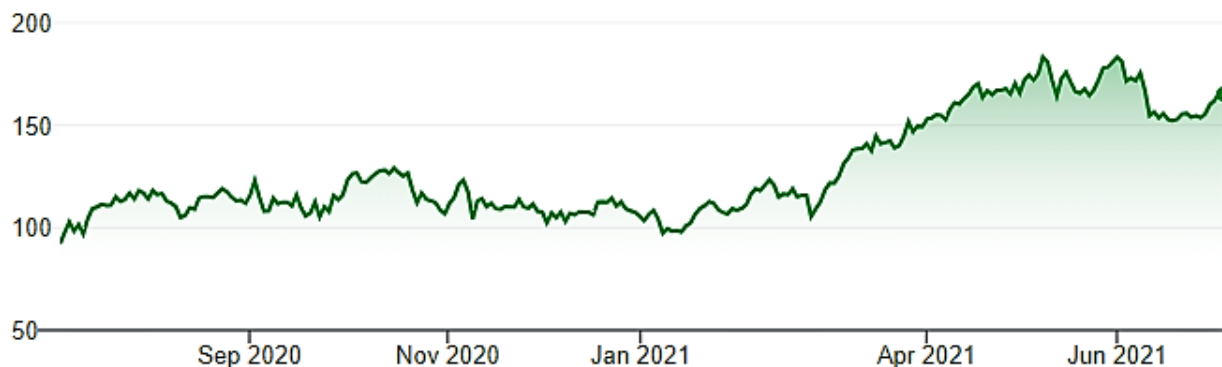
NASDAQ: LGIH

+73.16 (79.31%) ↑ past year

Closed: Jul 2, 18:42 EDT · Disclaimer

After hours 165.00 -0.41 (0.25%)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	166.37	Mkt cap	4.12B	Prev close	166.04
High	167.03	P/E ratio	11.01	52-wk high	188.00
Low	164.80	Div yield	-	52-wk low	86.89

We positively evaluate this company for the following reasons:

- Free cash flow yield: 7.3%;
- The share repurchase program is extended by \$275 million;
- Undervaluation of the company to the forecast multiples for 2021;
- Upside potential: +37.8%

Among the risks, it is worth noting an increase in inflation (which is not very critical for the company since it successfully shifts inflation to consumers by increasing prices) and a possible increase in mortgage rates.

Best,
Enhanced Investment Team

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