

# Introduction

Taylor Morrison, one of the nation's leading homebuilders and developers, operates in 19 markets across 11 states, serving a wide range of consumers, including first-time, move-up, luxury, and resort lifestyle homebuyers and renters. With a rich history and a commitment to sustainability, the company's reputation has earned them recognition as America's Most Trusted® Builder by Lifestory Research from 2016-2023.

The company's roots trace back to 1921 with the founding of Taylor Woodrow in England, which initially focused on providing low-cost, high-quality housing. The other half of the merger, Morrison Homes, was established in Seattle in 1905 by C.G. Morrison, primarily building first-time and midmarket home communities. The two companies merged in July 2007, forming the current company, Taylor Morrison, which started operating under this new brand in 2008.

The company is headquartered in Scottsdale, Arizona, and has a diverse portfolio of brands, including Taylor Morrison, Esplanade, Darling Homes Collection by Taylor Morrison, and Yardly. In addition to homebuilding, Taylor Morrison provides financial services to customers through its mortgage subsidiary and offers title insurance and closing settlement services through its title company, Inspired Title Services, LLC.

Taylor Morrison takes a keen interest in sustainability and ethical corporate governance, aligning its strategies with the guidelines published by the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), and the Task Force on Climate-Related Financial Disclosures. The company's commitment to integrating ESG priorities across all aspects of its business is demonstrated in its annual Environmental, Social and Governance (ESG) Report. As a testament to its commitment to corporate responsibility, Taylor Morrison earned a spot on Newsweek's 2023 America's Most Responsible Companies list.

The following sections will provide an in-depth overview of the company, recent developments, financial performance, and strategic initiatives. This briefing paper aims to prepare business professionals for a forthcoming meeting with Taylor Morrison.

## Company Overview

Headquartered in Scottsdale, Arizona, Taylor Morrison (TM) is one of the nation's top homebuilders and developers. It operates in 19 markets across 11 states, such as Arizona, Nevada, California, Oregon, Colorado, Florida, Georgia, North and South Carolina, Washington, and Texas. Taylor Morrison provides residential homebuilding and the development of lifestyle communities, designing, building, and selling single-family and multi-family detached and attached homes.

The company has a rich legacy dating back over 100 years, with its roots tracing back to Taylor Woodrow's founding in England in 1921 and Morrison Homes' establishment in Seattle in 1905. The two merged in July 2007 to form Taylor Morrison, which began operating under its new brand in 2008. The company went public in 2013.

Taylor Morrison operates under various brands, including Taylor Morrison, Esplanade, Darling Homes Collection by Taylor Morrison, and Yardly. In addition to homebuilding, TM provides financial services through its mortgage subsidiary and offers title insurance and closing settlement services via its title company, Inspired Title Services, LLC. The company also operates a Build to Rent homebuilding business under the Yardly brand.

As a testament to its commitment to quality and trust, Taylor Morrison has been recognized as America's Most Trusted® Builder by Lifestory Research from 2016-2023. The company also earned a spot on Newsweek's 2023 America's Most Responsible Companies list, demonstrating its dedication to corporate responsibility and social governance.

TM takes a keen interest in sustainability and ethical corporate governance, aligning its business strategies with guidelines from the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), and the Task Force on Climate-Related Financial Disclosures. The company's annual Environmental, Social, and Governance (ESG) Report showcases its commitment to integrating ESG priorities across all aspects of its business.

Taylor Morrison's commitment to diversity, equity, inclusion, and belonging (DEIB) is evident in its board of directors, which is majority-diverse. The company is included on lists such as Wall Street Journal's 2022 Management Top 250, Bloomberg Gender-Equality Index (GEI), and the Fortune 500 list.

Sheryl Palmer serves as the CEO of Taylor Morrison and is the only female CEO of a publicly traded homebuilder. Under her leadership, the company has advanced its sustainability goals, including a partnership with the National Wildlife Federation to restore and protect wildlife habitat and the appointment of its first Corporate Director of Sustainability.

## Recent Developments

Taylor Morrison continues to make significant strides in integrating Environmental, Social, and Governance (ESG) priorities across all aspects of its operations. The company recently published its fifth annual ESG report, which is organized around three pillars: Building for the Future, People First, and Transparency and Accountability. This report marked several key milestones, including the initial assessment of the company's greenhouse gas inventory, alignment with the Task Force on Climate-Related Financial Disclosures, and the launch of a Board Fellowship Program to provide under-represented senior business leaders with valuable experience in public board governance.

In a move to address the industry's labor shortage and promote diversity, Taylor Morrison launched programs to introduce career changers to the homebuilding industry. The company has also expanded its disclosures on the racial and ethnic makeup of its workforce, demonstrating its commitment to diversity, equity, inclusion, and belonging (DEIB). As part of these efforts, the company has focused on serving ethnically diverse homebuyers with tailored online solutions.

Taylor Morrison strengthened its partnership with the National Wildlife Federation to restore and protect wildlife habitat, showing its commitment to environmental stewardship. This partnership aligns with the appointment of the company's first Corporate Director of Sustainability, further solidifying Taylor Morrison's commitment to sustainability initiatives.

Financially, Taylor Morrison had a strong second quarter in 2023. The company reported a net income of \$235 million, or \$2.12 per diluted share. Home closings increased 3% to 3,125 homes at an average price of \$639,000, generating home closings revenue of \$2.0 billion. Net sales orders also saw an increase of 18% to 3,023, driven by a monthly absorption pace of 3.1 per community.

The company ended the quarter with approximately 72,000 homebuilding lots owned and controlled, representing 5.8 years of total supply. Total liquidity reached an all-time high of \$2.3 billion. The Company's credit rating was upgraded by Moody's to Ba2 from Ba3, with a stable outlook, and the homebuilding debt-to-capitalization declined to 29.7% on a gross basis and

15.4% net of \$1.2 billion of unrestricted cash. Book value per share increased 30% to \$45.96 during this period.

In recognition of its efforts, Taylor Morrison has earned a spot on Newsweek's 2023 America's Most Responsible Companies list, scoring highly in corporate governance and social categories. The company was also named America's Most Trusted® Home Builder by Lifestory Research for the eighth consecutive year, further cementing its reputation for trust and quality. Taylor Morrison's commitment to DEIB has also been recognized, with a majority-diverse board of directors and inclusion on lists such as Wall Street Journal's 2022 Management Top 250, Bloomberg Gender-Equality Index (GEI), and the Fortune 500 list.

## Financial Performance

Taylor Morrison's financial performance has been robust in the second quarter of 2023, demonstrating the company's continuing growth and stability. The company reported a net income of \$235 million, or \$2.12 per diluted share, indicating strong profitability.

In terms of sales and revenue, Taylor Morrison saw a 3% increase in closings, totaling 3,125 homes. The average selling price was \$639,000 per home, leading to home closings revenue of \$2.0 billion. Despite a year-over-year decline of 240 basis points, the home closings gross margin sequentially increased by 30 basis points to 24.2%.

Further fueling growth, net sales orders experienced an 18% increase to 3,023, driven by a monthly absorption pace of 3.1 per community. This demonstrates the company's strong demand in the housing market.

The company's balance sheet remained strong, ending the quarter with approximately 72,000 homebuilding lots owned and controlled, a total supply that represents 5.8 years. This provides a solid foundation for future growth and expansion.

Taylor Morrison's total liquidity reached an all-time high of \$2.3 billion. Additionally, the homebuilding debt-to-capitalization ratio declined to 29.7% on a gross basis and 15.4% net of \$1.2 billion of unrestricted cash, indicating a strong financial position and lower risk profile.

The company's financial stability was recognized by Moody's, which upgraded Taylor Morrison's credit rating to Ba2 from Ba3 with a Stable outlook. This upgrade reflects the company's improved creditworthiness and financial strength.

The growth in the company's financial performance was also reflected in the book value per share, which increased by 30% to \$45.96 in the second quarter of 2023.

In line with its commitment to transparency and accountability, Taylor Morrison published its fifth annual Environmental, Social, and Governance (ESG) Report. The report reaffirms the company's commitment to integrating ESG priorities across all aspects of its operations, which has played a crucial role in its long-term financial performance.

In recognition of its strong financial performance and commitment to corporate responsibility, Taylor Morrison earned a spot on Newsweek's 2023 America's Most Responsible Companies list and was named America's Most Trusted® Home Builder by Lifestory Research for the eighth consecutive year. The company's financial performance, coupled with its dedication to ESG principles, positions it well for continued growth and success in the future.

# Strategic Initiatives

Taylor Morrison's strategic initiatives are well-documented in its fifth annual Environmental, Social, and Governance (ESG) Report. The report concentrates on three core pillars: Building for the Future, People First, and Transparency and Accountability.

## Building for the Future

Under this strategic initiative, Taylor Morrison has made significant strides in managing its carbon footprint and promoting environmental stewardship. A major achievement highlighted in the report is the initial assessment of the company's greenhouse gas inventory, which aligns with the guidelines published by the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), and the Task Force on Climate-Related Financial Disclosures. The company is also committed to developing sustainable communities, demonstrated by the strengthening of its partnership with the National Wildlife Federation.

## People First

Taylor Morrison's commitment to diversity, equity, inclusion, and belonging (DEIB) is a central part of its People First initiative. The company has expanded its disclosures on the racial and ethnic makeup of its workforce and launched a Board Fellowship Program, aimed at providing under-represented senior business leaders with real-world public board experience.

Also, to address the industry's labor shortage, Taylor Morrison has initiated programs to introduce career changers to the homebuilding industry. The company is dedicated to serving ethnically diverse homebuyers and has developed tailored online solutions for this demographic.

## Transparency and Accountability

This strategic pillar underlines the company's commitment to generating long-term value for stakeholders and shareholders. The company has made significant progress in increasing transparency, as evidenced by its alignment with the Task Force on Climate-Related Financial Disclosures.

Taylor Morrison's strategic initiatives extend beyond its ESG Report. The company has emphasized its long-term strategy for managing its carbon footprint and increasing diversity in leadership positions, showcased by the appointment of its first Corporate Director of Sustainability.

Furthermore, Taylor Morrison's commitment to quality and trust has been recognized, as it has been named America's Most Trusted® Builder by Lifestory Research from 2016-2023 and has earned a spot on Newsweek's 2023 America's Most Responsible Companies list.

Overall, Taylor Morrison's strategic initiatives reflect its dedication to sustainability, community development, and corporate responsibility. The company's robust strategy positions it well for continued growth and success in the future.