

Green Brick Partners Residential Construction Industry



TROPHY SIGNATURE HC

Joan Loken Director Rocky Mountain Chapter

<https://www.betterinvesting.org/chapters/rocky-mountain>

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How I found this stock idea




Consumer Cyclical							
F	DHI Large	HD	BABA	LCII	ULTA	GRBK Small	
	MED	SBUX	IRBT	LGIH	MDC Medium	LAD	
AMZN			MHO Medium	LKQ	GM	SGC	
	TSLA	MBUU	LOW	FIVE	TSCO	GNTX	
						HZO	

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Construction Industry Outlook



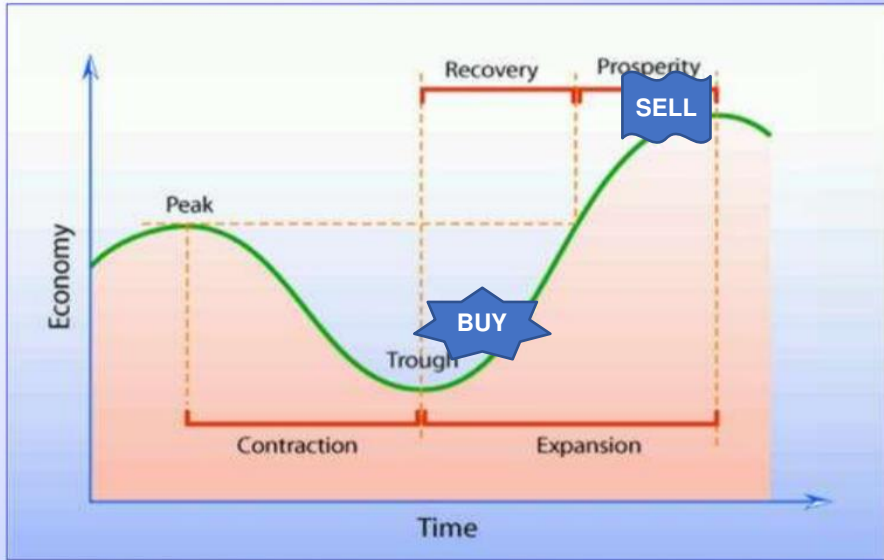
- Residential homebuilding booming: inventory is low, rates are low & demand is high,
 - Prices may decline as materials shortage eases, which could bring more buyers.
 - Don't write off entry-level homebuilders.
- Private non-residential construction will rebound as economic reopening drives remodeling & rebuilding.
- \$550B of Federal infrastructure over 5 years will support transport, power, broadband, & water projects.
 - Worth ~0.5% of GDP/year + 7% increase in annual U.S. construction spending + \$450B already allocated in federal budget.
- Homebuilding stock ideas: CCS, LGIH, ESNT, CVCO.
- Infrastructure/construction stock ideas: NVEE, MGRC, SSD, EXP.

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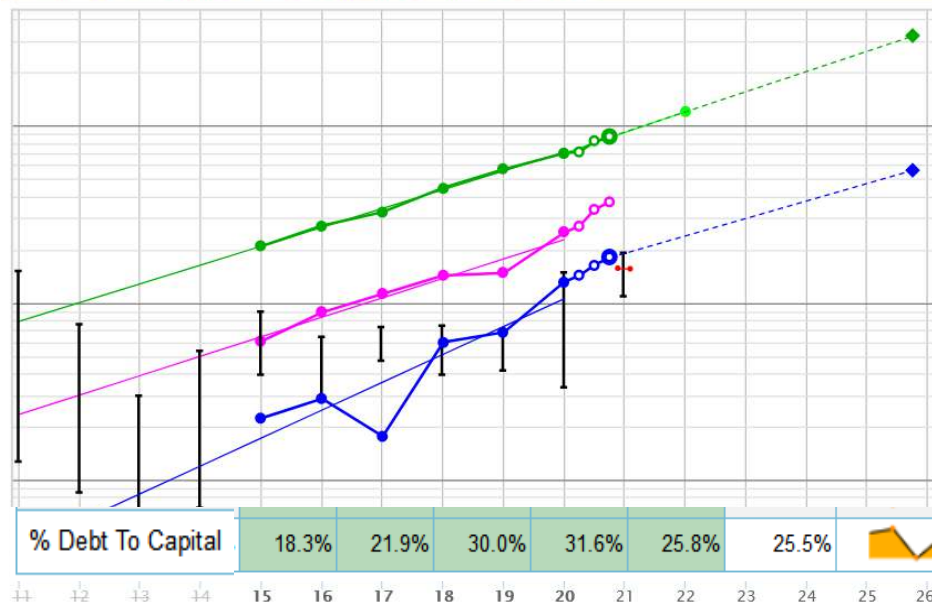
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BUSINESS CYCLE




Company: Green Brick Partners (GRBK) Study Name: GRBK 1/14/22



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BUILDING AWARD-WINNING HOMES AND COMMUNITIES

2021	2020	2019
<p>Fortune Magazine "100 Fastest Growing Companies" in the world (#19)</p> <p>Forbes Magazine #5 on the 2021 America's Best Small Companies List</p> <p>D Magazine's D CEO Best Land Transaction Award</p> <p>Professional Builder Magazine "2020 Housing Giants" list</p> <p>Builder Magazine "Builder 100" national list</p> <p>Dallas Business Journal Middle Market 50 Award</p>	 <p>Fortune Magazine "100 Fastest Growing Companies" in the world (#55)</p> <p>Builder Magazine "Builder 100" national list</p> <p>Professional Builder Magazine "2020 Housing Giants" list</p> <p>Dallas Builders Association McSAM Award Nominee Community of the Year – Edgewood</p>	<p>Fortune Magazine "100 Fastest Growing Companies" in the world</p> <p>Builder Magazine "Builder 100" national list</p> <p>Builder Magazine 2019 Public Builder Report Card "A" rank</p> <p>Dallas Builders Association McSAM Award Community of the Year The Village at Twin Creeks</p>

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GREEN BRICK PROVIDES STRONG RISK-ADJUSTED GROWTH RELATIVE TO PEERS

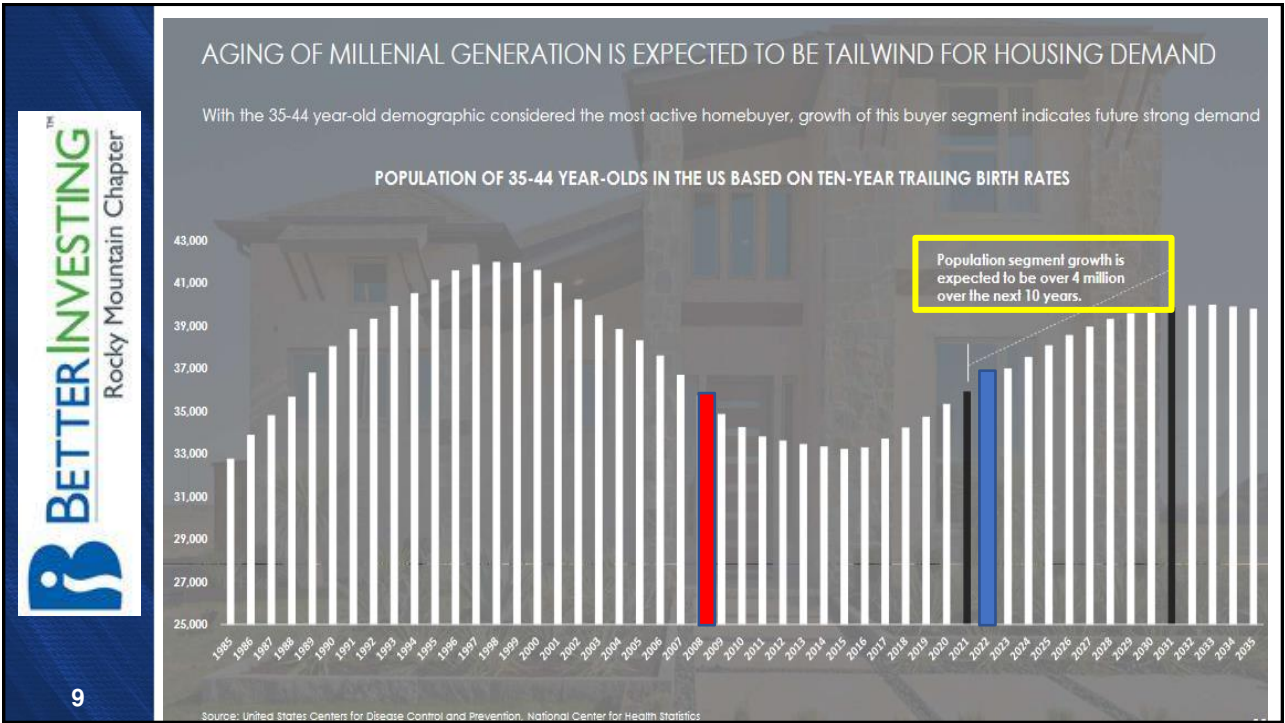
Based on our key performance indicators, we believe Green Brick has one of the best growth opportunity profiles among peers small and mid-cap peers

LAST TWELVE MONTHS ENDING 9.30.2021 OR NEAREST DATE

Builder	Growth in Homebuilding Revenues (YoY)	Gross Margin %	Interest Coverage ⁽¹⁾	Pre-Tax Income Return to Average Invested Capital ⁽¹⁾	Growth in Lots Owned and Controlled	Debt to Capital (As of 9.30.2021 or Nearest Date)
GRBK	25.6%	26.3%	18.1	20.7%	101.8%	31.9%
CCS	34.0%	22.8%	10.5	21.7%	68.0%	43.1%
BZH	0.3%	18.2%	3.6	7.4%	9.2%	62.2%
KBH	15.3%	21.0%	6.3	13.3%	34.3%	39.6%
LGIH	51.6%	27.0%	19.8	31.2%	53.0%	33.3%
MDC	32.5%	22.7%	11.8	19.1%	36.7%	42.7%
MHO	25.4%	22.1%	12.6	21.3%	8.6%	37.0%
MTH	20.3%	26.4%	14.8	23.3%	45.8%	29.1%
TMHC	1.2%	19.2%	4.3	9.6%	15.0%	46.2%
TPH	14.2%	24.6%	8.2	16.1%	21.7%	36.3%

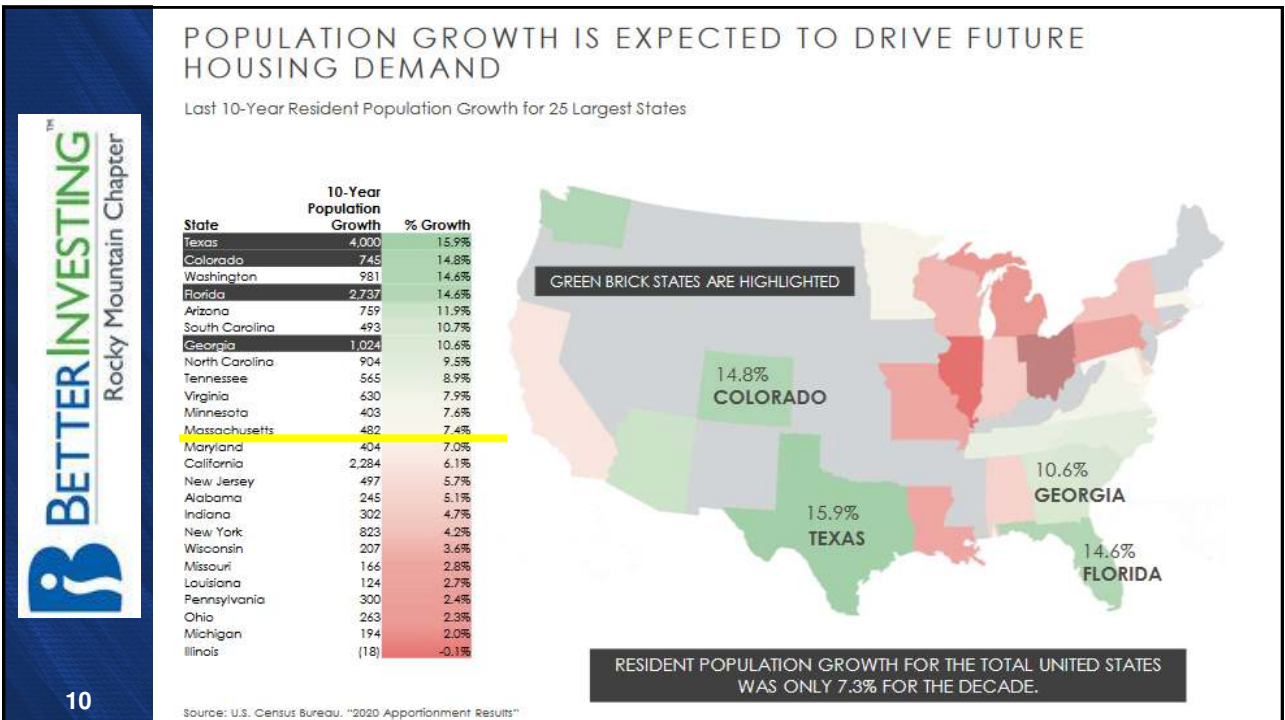
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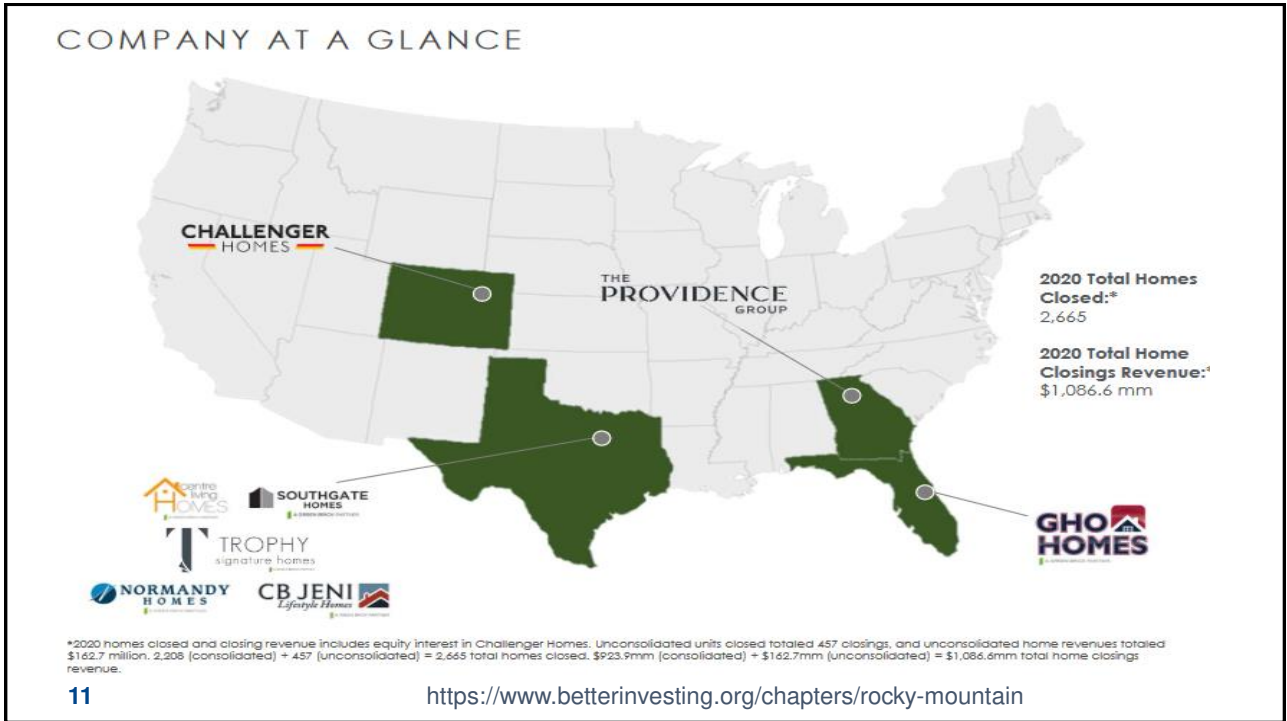
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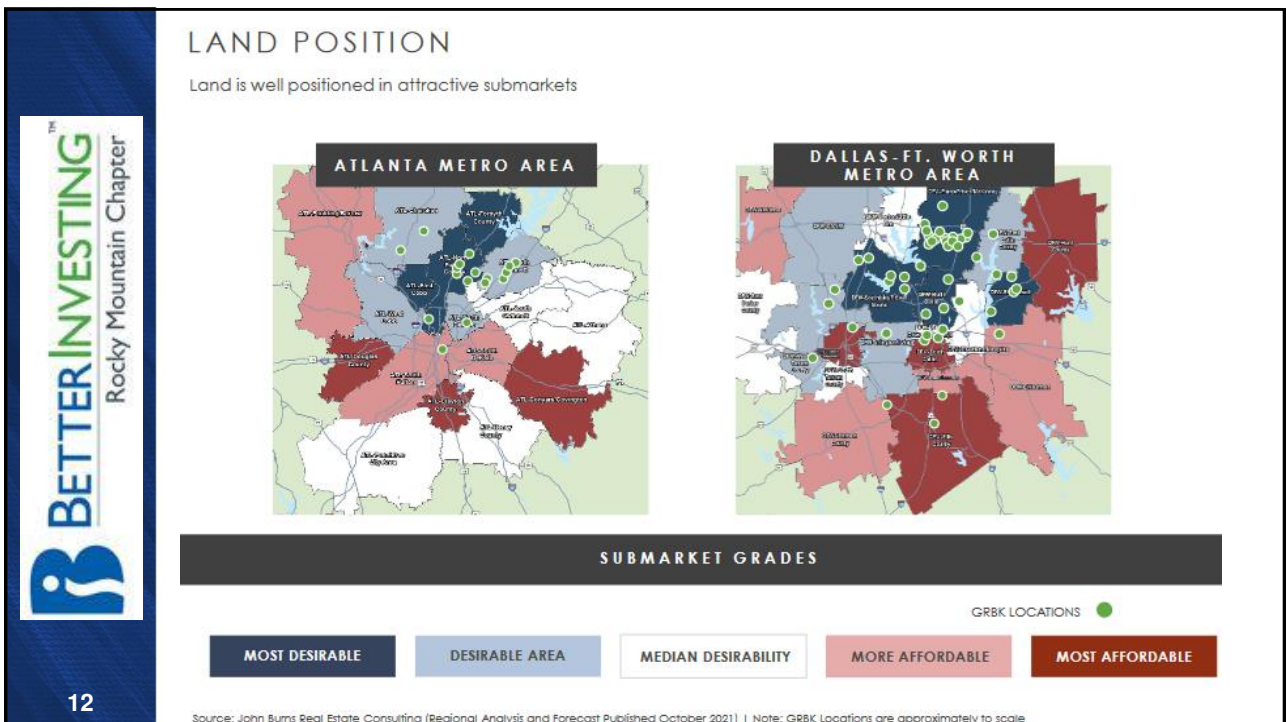


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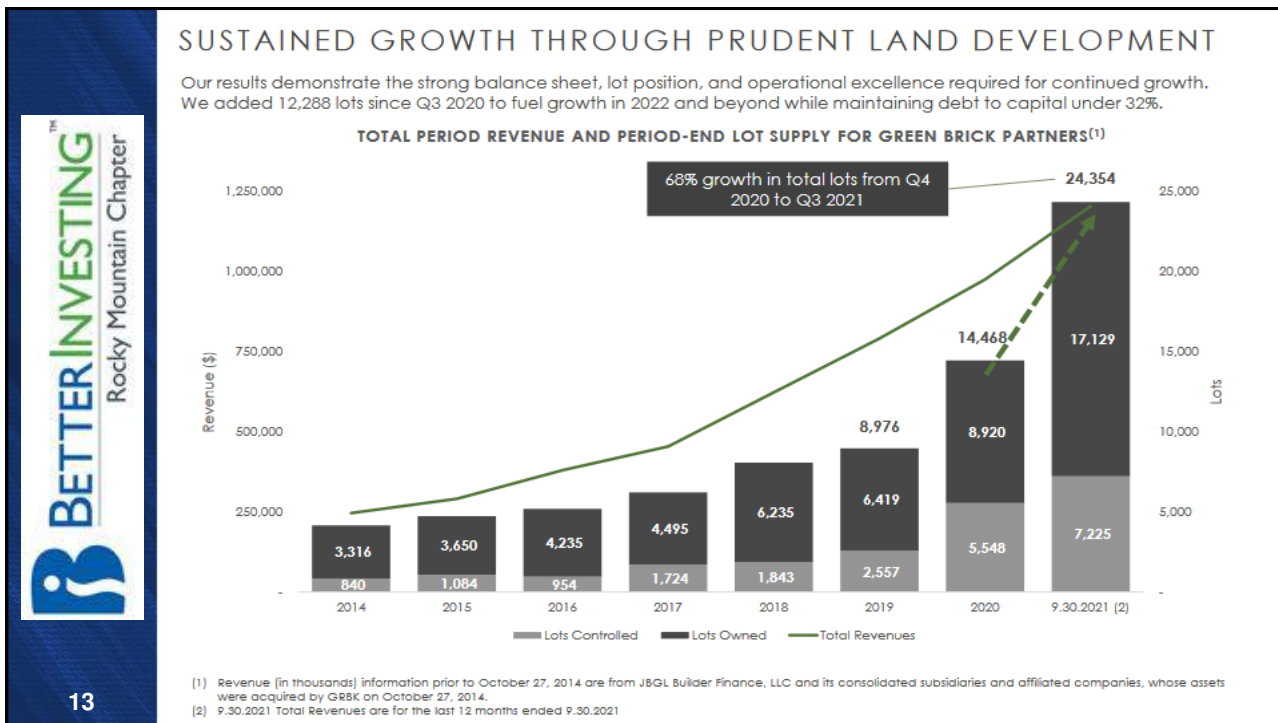
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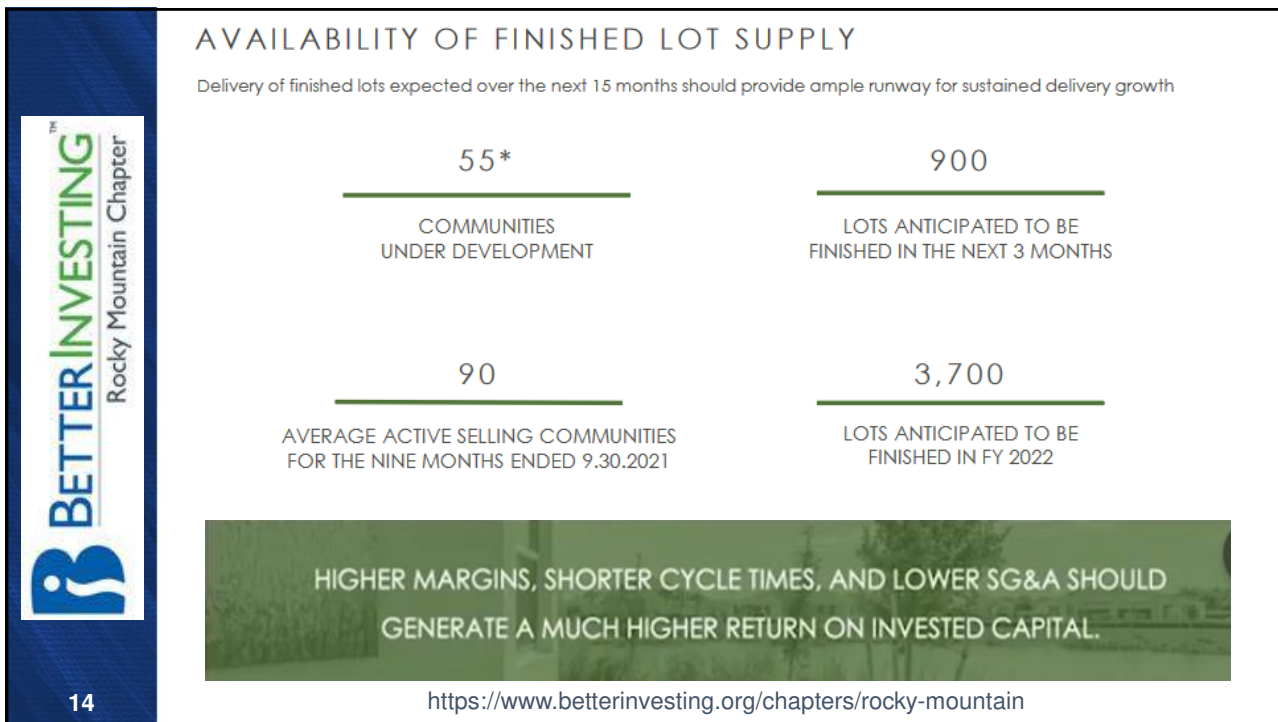


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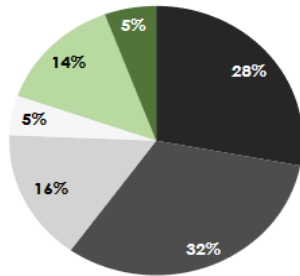
GREEN BRICK HAS REDUCED RISK BY DIVERSIFYING CUSTOMER MIX

Entry-level plus first-time move-up segments have increased from 19% to 35% over two years.

Homebuyer Customer Mix

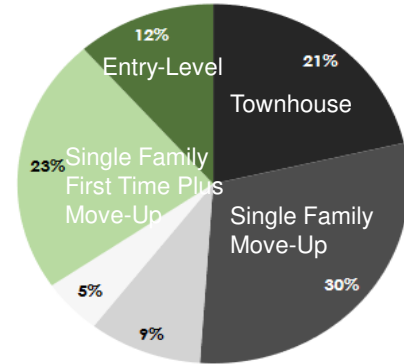
Last Nine Months GRBK Home Closings Revenue by Product Type

YTD Q3 2019 HOME CLOSINGS REVENUE



Total: \$529.0M

YTD Q3 2021 HOME CLOSINGS REVENUE



Total: \$886.5M

68% Growth

- Suburban Townhouse
- Single-Family Second Time Plus Move-Up
- Age-Targeted
- Urban Communities
- Single-Family First Time Move-Up
- Entry-Level

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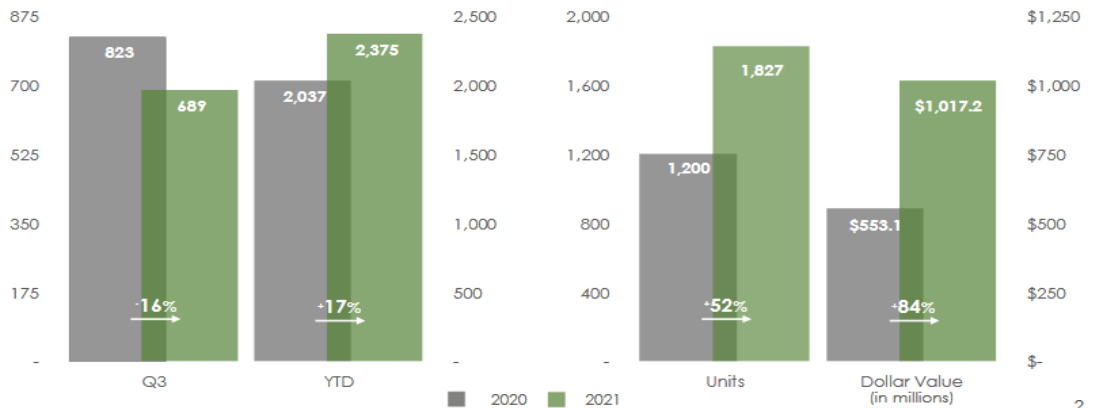
SUBSTANTIAL BACKLOG WILL CONTINUE TO PROVIDE VISIBILITY IN FUTURE CLOSINGS

Backlog is up 84% YOY and is the highest in our history, despite closing a record number of units YTD.

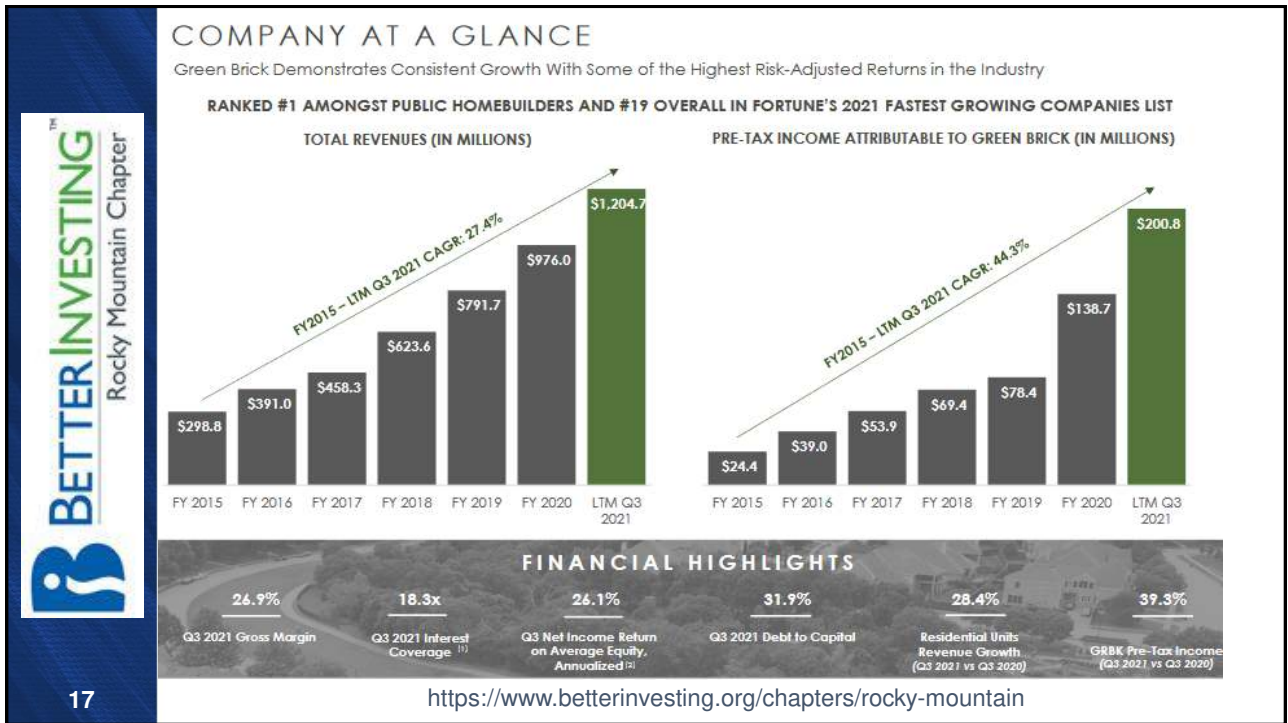
By metering sales during Q2 and Q3, the Company successfully increased the number of spec inventory homes under construction by nearly 50% over the last twelve months, which will better position us to capture increased sales prices.

NET NEW HOME ORDERS FOR THE PERIODS ENDED SEPTEMBER 30

ENDING BACKLOG AS OF SEPTEMBER 30

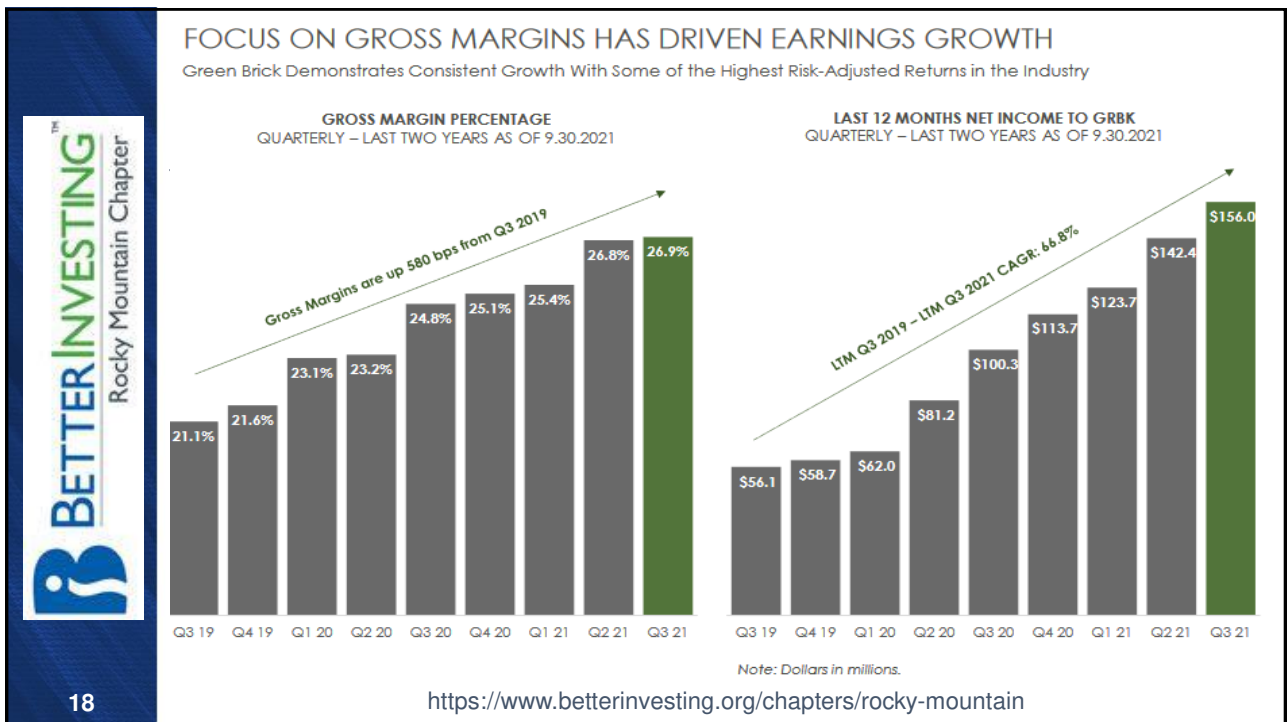


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SWOT – Strengths – Internal to Company

- Consistent sales and earnings
- Building award winning homes and communities
- Strong risk-adjusted growth relative to peers
- Focused on age expected housing demand
- Seeks on most desirable land market
- Reduced risk by diversifying customer mix
- Has backlog of orders
- Able to improve gross margin

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SWOT – Weakness – Internal to Company

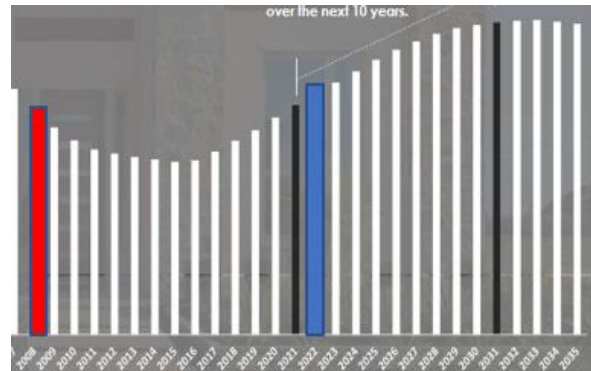
- COVID, affecting operations, financial, and cash flows
- Ability to acquire undeveloped land
- Dependent on subcontractors
- Local public health and governmental impose restrictions
- Supply chains issues
- Delays, additional costs impact closing and reduce margins

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SWOT – Opportunities – External to Industry

- Residential home building is booming
- Shortage of available housing
- Rising prices on secondary home market
- Economic stimulus and relief



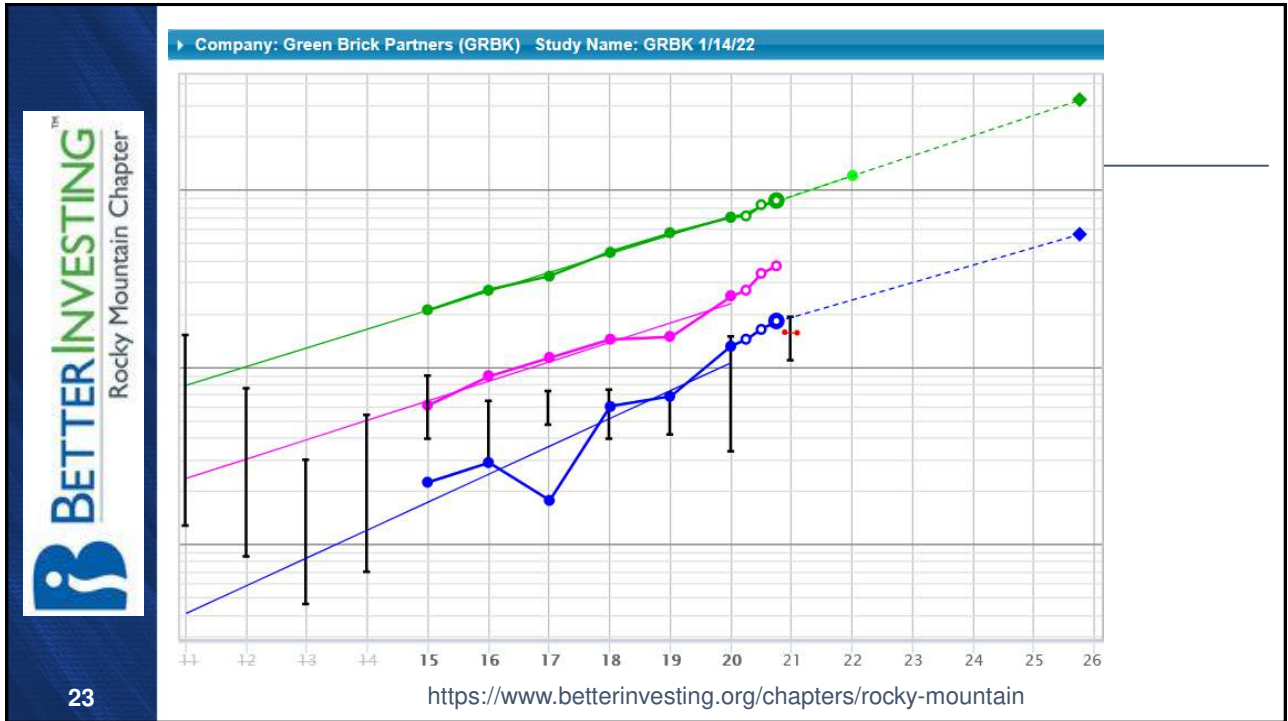
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SWOT – Threats – External to Industry

- Impact of unemployment rates
- Rising costs of prolonged downturn may cause cancellation rates
- Be forced to reduce prices due to competitive pressures
- Inflation or deflation
- Risks associated with Real Estate Industry
 - Changes in economic conditions
 - Competition
 - Interest rates

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