



Century Communities

Accelerating Growth Amid Any Market

Phillip Harabarovici

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Century Communities: CCS



Target Return 20% +

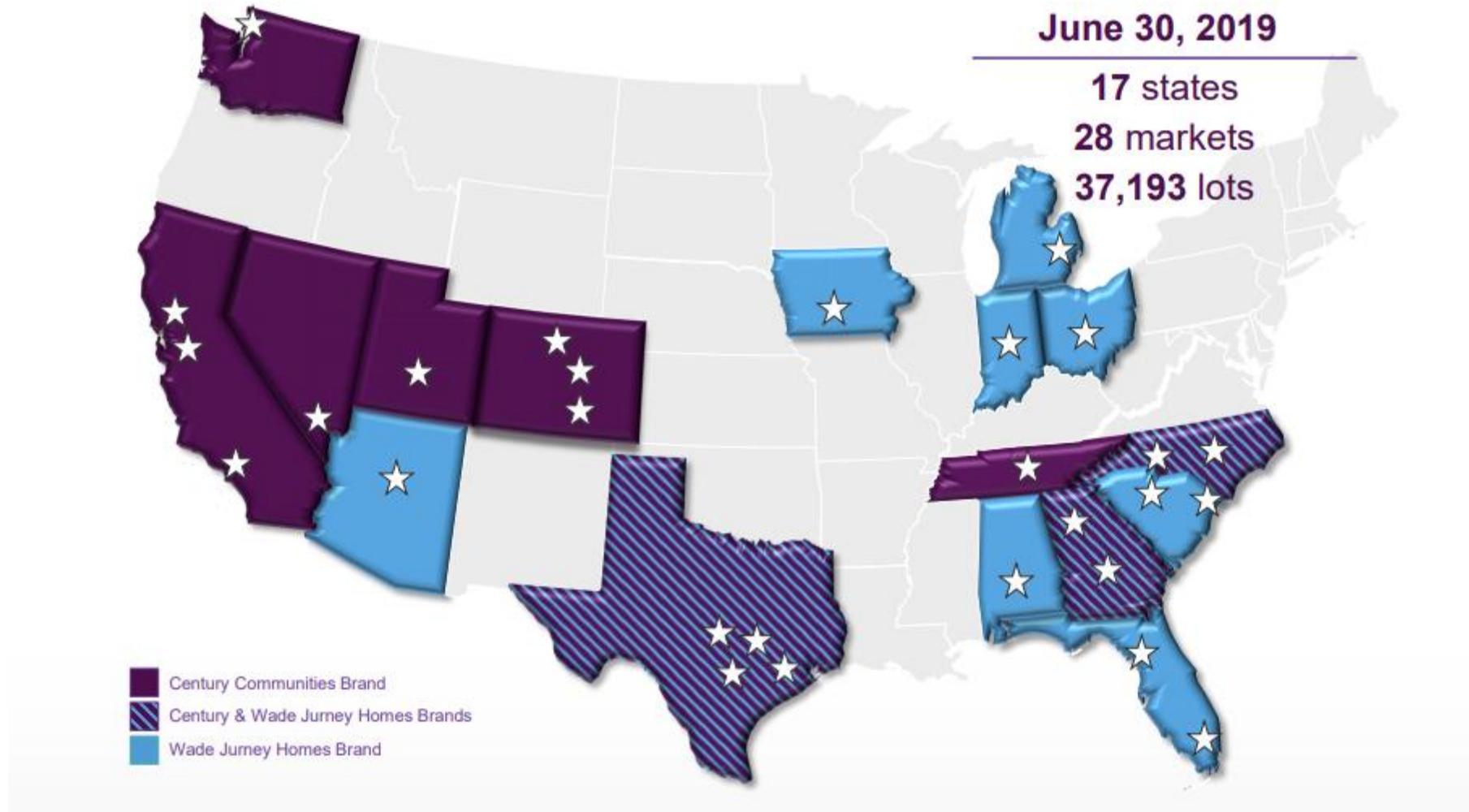
- Entry Price: MARKET \$27.45
- Target Price: \$34.44
- Market Cap: \$886M
- WACC: 8.46%
- Probability of Upside: 90.5%
- Credit Rating: BB

Company Description

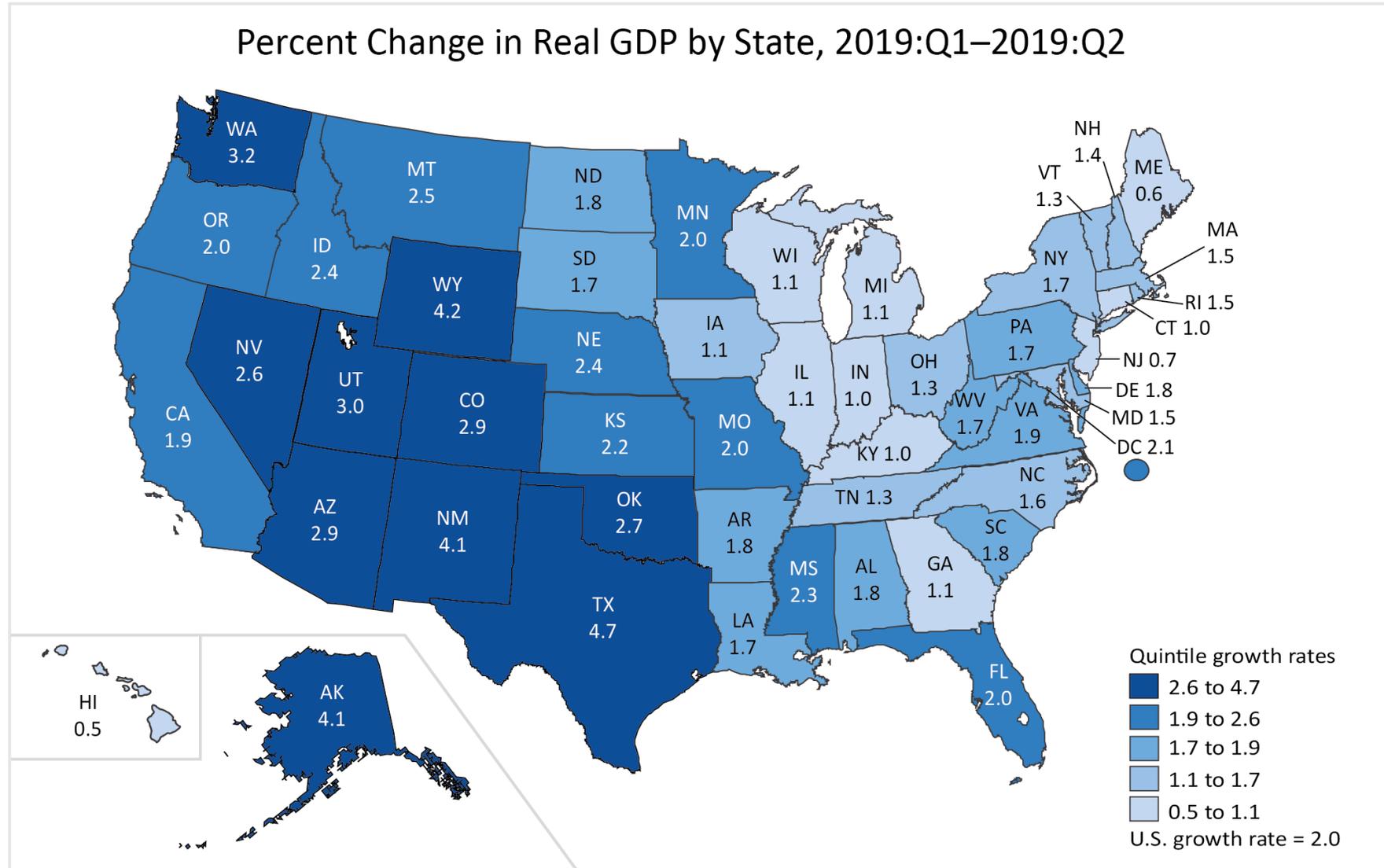


- Builds single-family, townhomes, condos in community locations
- Broad targeting of customers - First time affordable to high-end lifestyle
- Both traditional model – home sales structure AND retail outlets - internet

Business Map



Strategic Marketplaces



U.S. Bureau of Economic Analysis

Strategy



- Consistently re-investing in attractive land positions
- Focus on entry level buyers
- Multiple revenue streams – exclusive to century customers
 - Financing options
 - Home insurance
 - Parkway Title
- Strategic land purchases in markets with key growth
 - Economic growth
 - Job growth
 - Population Growth

Acquisitions

- 7 acquisitions since 2012 = 34,000 lots
- Continue to recognize benefits of scale
- Lot price around \$50,000 varies by state
 - \$93,696 in Las Vegas
 - \$26,886 in Atlanta

CCS acquisitions and new business

Acquisition	Date	Rationale
 WAIDE JOURNEY HOMES	FY18 Q2	<ul style="list-style-type: none"> ■ Acquired remaining 50% in Q2 2018 for \$37.5mm; Invested initial \$15mm for 50% JV stake in Q4 2016 ■ Fastest growing private and 35th largest US builder ■ Solely focused on entry-level housing
 SUNDQUIST HOMES A FAMILY OF COMPANIES	FY17 Q4	<ul style="list-style-type: none"> ■ Acquired homes and lots for \$50mm in highly desirable submarkets of the greater Seattle area ■ Deal created top-10 homebuilder in Seattle
	FY17 Q3	<ul style="list-style-type: none"> ■ Business combination with UCP, Inc. for \$359mm ■ Entered West; Strengthened Southeast presence ■ Wide product offering
 inspire HOME LOANS	FY16 Q3	<ul style="list-style-type: none"> ■ Formed financial services company to provide title and mortgage services to Century buyers ■ Provides title, mortgage and insurance services to select markets
 PC PEACHTREE COMMUNITIES	FY14 Q4	<ul style="list-style-type: none"> ■ Acquired 2,120 lots in Atlanta for \$57mm ■ Well-established #2 homebuilder in Atlanta ■ Products catered to first time and move-up buyers
 GRAND VIEW BUILDERS	FY14 Q3	<ul style="list-style-type: none"> ■ Acquired 84 homes and 601 lots in Houston for \$13mm ■ Product targeted at first time and first move-up buyers
Las Vegas Land Holdings	FY14 Q2	<ul style="list-style-type: none"> ■ Acquired 1,761 lots in Las Vegas for \$165mm ■ Wide product offering targeting first and second time move-up home buyers
 JUDY JACOBS	FY13 Q3	<ul style="list-style-type: none"> ■ Acquired 166 lots and 95 homes for \$15.7mm ■ Well-recognized private homebuilder in Austin and San Antonio, Texas

Management Team



DALE FRANCESCON

CHAIRMAN AND CO-CHIEF
EXECUTIVE OFFICER

- Co-Founder of CCS
- Co-Largest Shareholder
- 25+ years of homebuilding experience



ROBERT FRANCESCON

PRESIDENT AND CO-CHIEF
EXECUTIVE OFFICER

- Co-Founder of CCS
- Co-Largest Shareholder
- 25+ years of homebuilding experience



DAVID MESSENGER

CHIEF
FINANCIAL OFFICER

- CFO of CCS Since 2013
- 25+ years of real estate and finance experience

Earnings Call – Liquidity and Capital Ratio



- Total liquidity of \$430 Million
 - \$69 Million Cash and \$361 Million in unsecured
- Net homebuilding debt to net capital ratio held steady
- Committed to reduce leverage ratio below 50% next year
- Own 50% vs 50% controlled



Earnings Call – Financial Services

- Small percentage currently – 10.4 million in revenues
- Up 35% year over year
 - Highest growing business segment

Earnings Call – SG&A Reduction



- Reducing SG&A as a percent of homebuilding revenues remains primary focus
- Anticipate improved margin year-over-year for full year 2019
- Designing new plans: Project Genesis

Earnings Call Question – Explaining Inventories Compared to Sales



- Sales were up 35% year-over-year therefore moving through communities quicker
- Opening new communities where robust sales in the old community metropolitan location
- Lowering price point to open to a wider audience

Inventory Growth



- Large inventory growth from 2018
- Typical seasonal buildup of work in process
- ASP Consistently decreasing

Earnings Call – Increasing Full Year Outlook

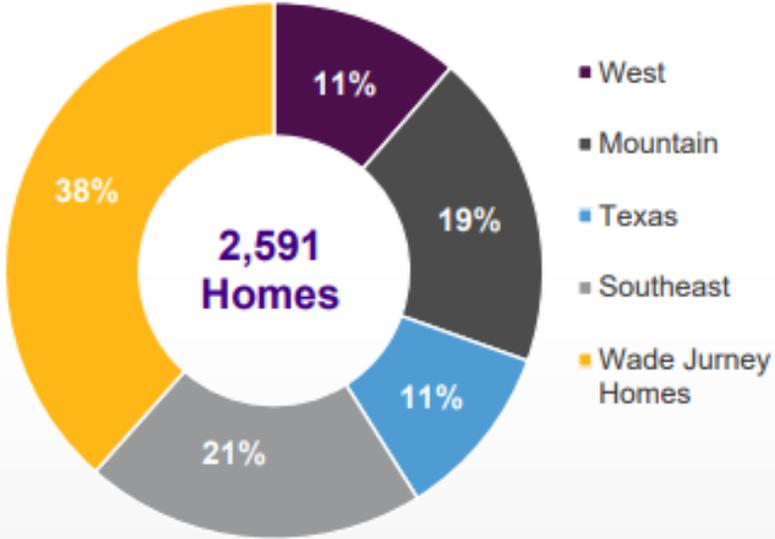


- Deliveries of 7,700 to 8,100 homes
- Home sales revenues in the range of \$2.4 billion to \$2.5 billion
- Opportunities to expand Wade Journey asset-light fast-turning portion

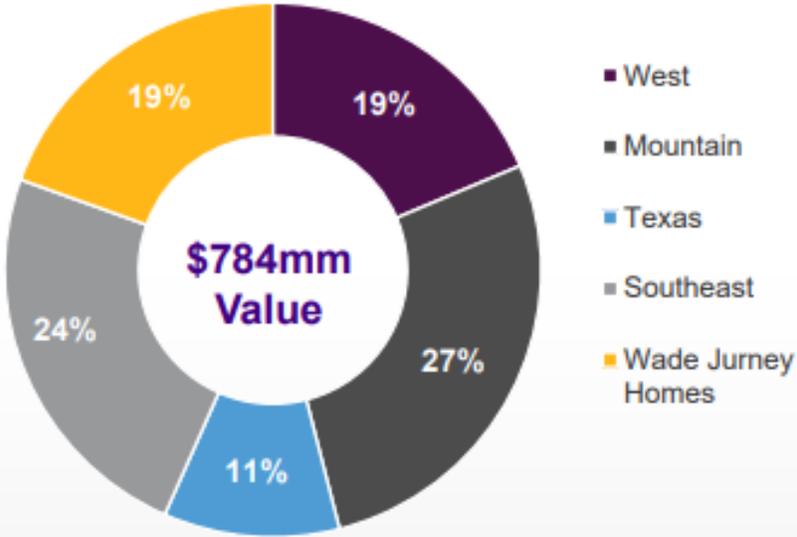
Key Statistics



Backlog homes



Backlog value



Key Statistics



In Millions of USD 12 Months Ending	2015 Y 12/31/2015	2016 Y 12/31/2016	2017 Y 12/31/2017	2018 Y 12/31/2018	Current/LTM 09/30/2019	2019 Y Est 12/31/2019	2020 Y Est 12/31/2020
Market Capitalization	377.3	454.0	917.5	520.5	885.9		
- Cash & Equivalents	29.3	29.5	88.8	32.9	38.5		
+ Preferred & Other	0.0	0.0	0.0	0.0	0.0		
+ Total Debt	390.2	454.1	776.3	784.8	1,209.8		
Enterprise Value	738.2	878.7	1,605.0	1,272.3	2,057.2		
Revenue, Adj	734.5	994.4	1,423.8	2,147.4	2,395.3	2,471.0	2,677.3
Growth %, YoY	102.7	35.4	43.2	50.8	18.6	15.1	8.4
Gross Profit, Adj	146.9	194.1	263.9	402.0	446.2	439.8	492.6
Margin %	20.0	19.5	18.5	18.7	18.6	17.8	18.4
EBITDA, Adj	63.7	77.5	101.6	157.9	155.6	209.0	258.0
Margin %	8.7	7.8	7.1	7.4	6.5	8.5	9.6
Net Income, Adj	38.8	48.5	36.8	87.8	80.3	107.3	135.7
Margin %	5.3	4.9	2.6	4.1	3.4	4.3	5.1
EPS, Adj	1.89	2.33	1.50	2.89	2.61	3.58	4.34
Growth %, YoY	73.3	23.6	-35.8	92.7	4.2	24.1	21.1
Cash from Operations	-162.7	-44.7	-111.3	-195.6	-127.5		
Capital Expenditures	-5.8	-7.8	-17.6	-15.8	-15.5	-4.0	-4.0
Free Cash Flow	-168.5	-52.5	-128.9	-211.4	-143.1	-60.0	4.0

Comparable Competitors

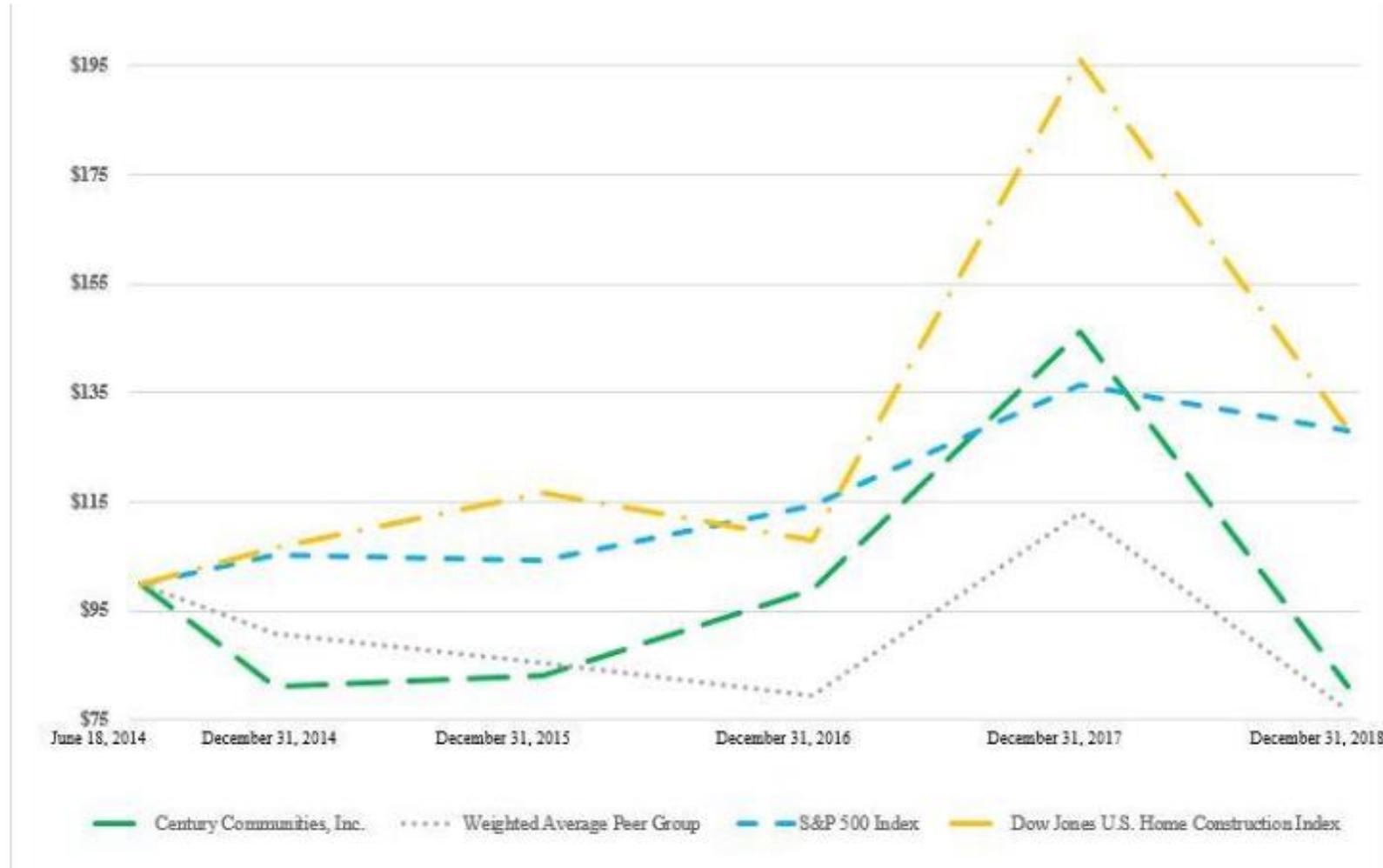


Century Communities, Inc. (NYSE:CCS) | Homebuilding (Primary) | Industrials | Financials | Real Estate

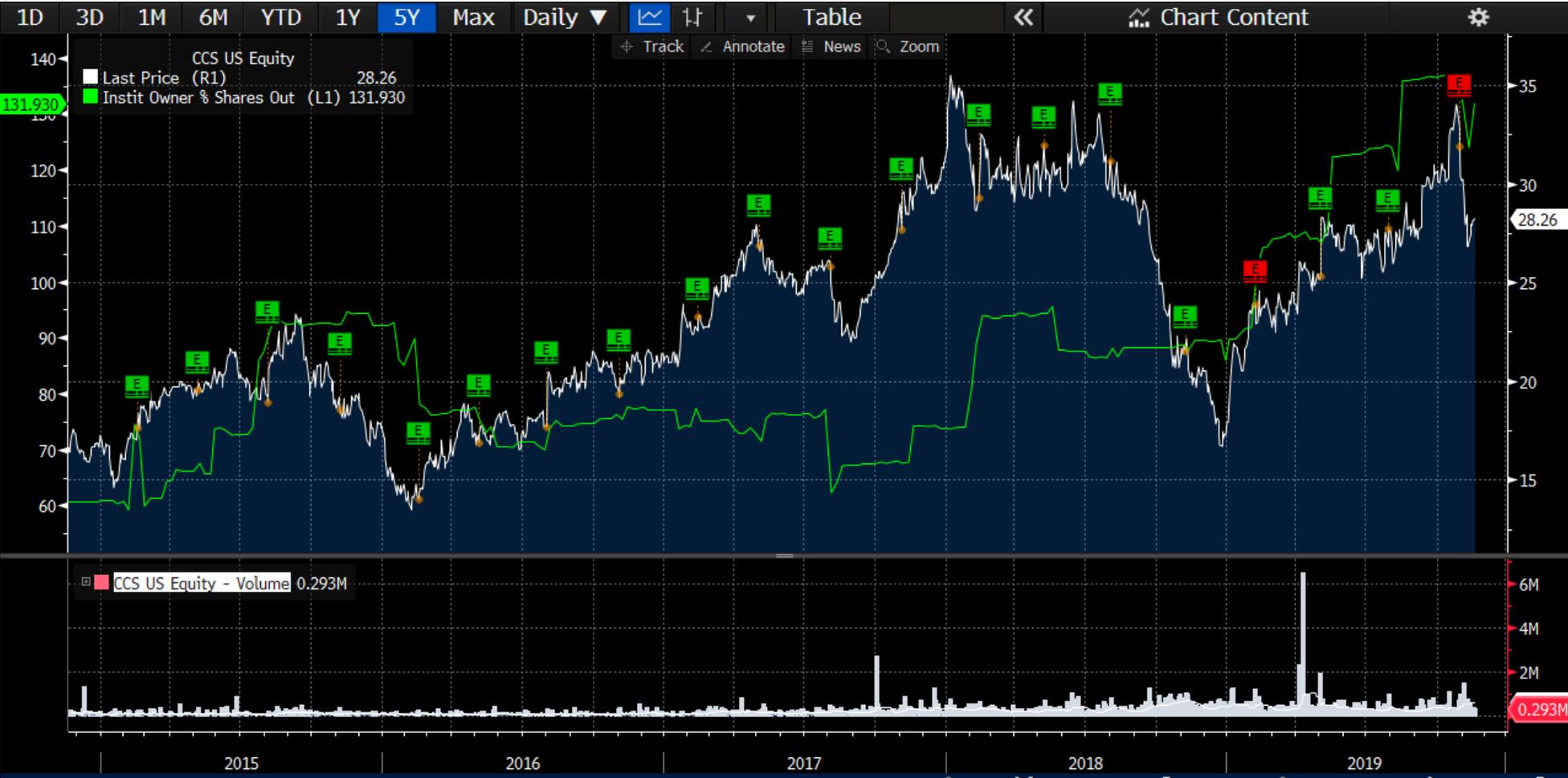
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<u>Company Name</u>	<u>LTM Gross Margin %</u>	<u>LTM EBITDA Margin %</u>	<u>LTM EBIT Margin %</u>	<u>LTM Net Income Margin %</u>	<u>LTM Total Revenues, 1 Yr Growth %</u>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	M/I Homes, Inc. (NYSE:MHO)	19.4%	7.9%	7.4%	4.77%	13.50%
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	TRI Pointe Group, Inc. (NYSE:TPH)	20.5%	9.9%	9.0%	6.13%	(5.65%)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	M.D.C. Holdings, Inc. (NYSE:MDC)	20.2%	9.5%	8.8%	6.53%	5.61%
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Meritage Homes Corporation (NYSE:MTH)	19.2%	9.1%	8.4%	6.26%	2.10%
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Taylor Morrison Home Corporation (NYSE:TMHC)	17.6%	8.2%	7.6%	4.42%	16.82%
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	KB Home (NYSE:KBH)	18.7%	8.1%	7.7%	5.58%	(5.63%)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Century Communities, Inc. (NYSE:CCS)	17.9%	6.3%	5.8%	3.58%	18.61%

Comparable Competitors

Comparison of Cumulative Total Return from June 18, 2014 (the Date our Common Stock Commenced Trading on the New York Stock Exchange) to December 31, 2018

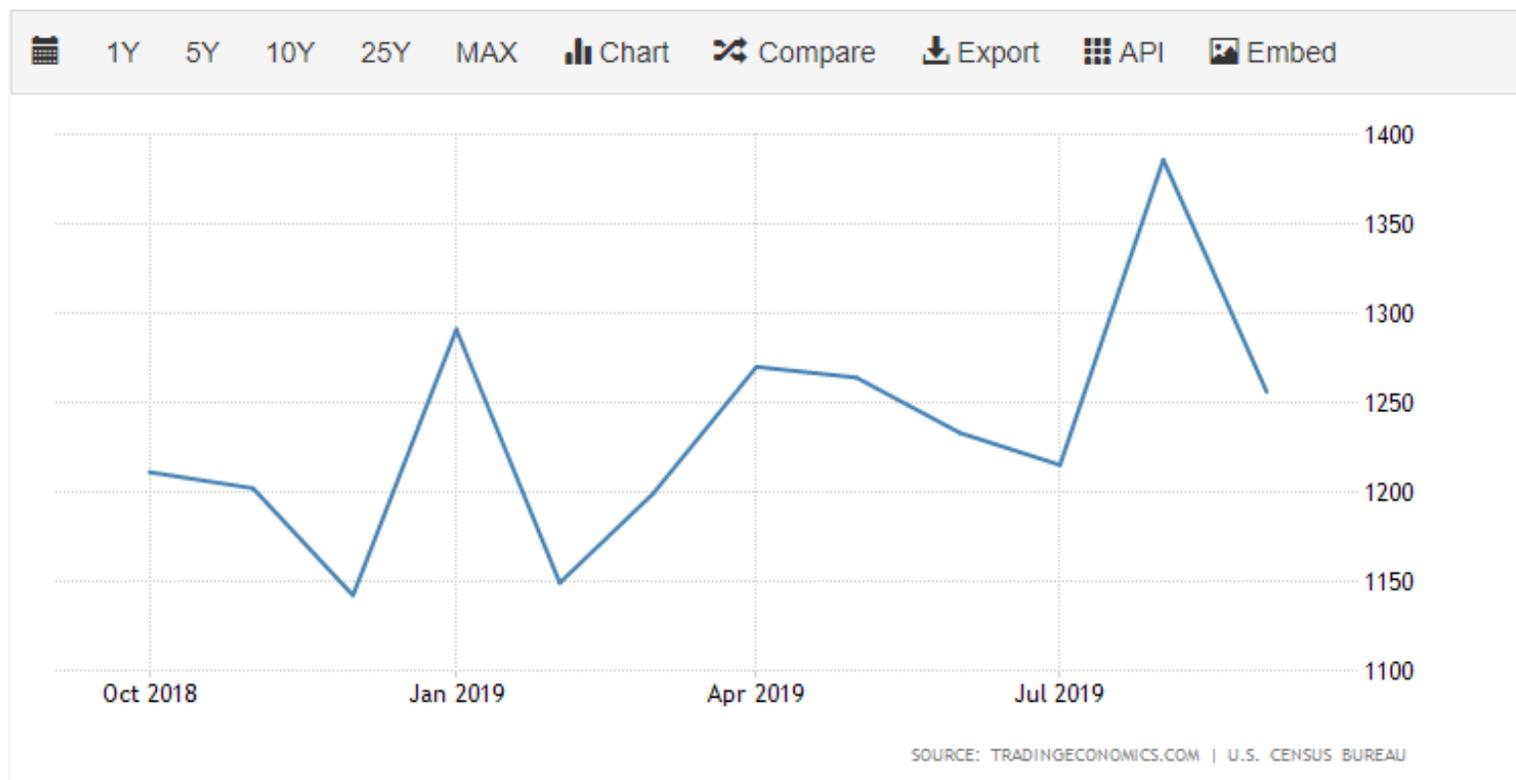


Institutional Investors – Large Stake



Sdf

Housing Starts



Calendar	GMT		Actual	Previous	Consensus	TEForecast
2019-09-18	12:30 PM	Housing Starts Aug	1.364M	1.215M	1.25M	1.251M
2019-09-18	12:30 PM	Housing Starts MoM Aug	12.3%	-1.5%	4.5%	5.1%
2019-10-17	12:30 PM	Housing Starts Sep	1.256M	1.386M	1.32M	1.290M
2019-10-17	12:30 PM	Housing Starts MoM Sep	-9.4%	15.1%	-8.6%	-5.5%
2019-11-19	01:30 PM	Housing Starts Oct		1.256M	1.32M	1.320M
2019-12-17	01:30 PM	Housing Starts Nov				

Home Prices vs Inventory

Home prices rose rapidly across the country - supply still low today

Opendoor



Data sources: Case Shiller National price index / Department of Housing and Urban Development Institute

Absorption Rate

- An absorption rate provides insight on the rate at which houses are selling
- A high absorption rate may indicate that the supply of available homes will shrink rapidly, increasing the odds that a homeowner will sell a piece of property in a shorter period of time
- Absorption rate remained stable between Dec 2017 and Dec 2018

Risks

- Increasing interest rates – largest risk
- Slowing economies in leveraged areas
- Increase in building costs



Advantages



- Increasing positions in 2019 to boost growth in 2020
- Taking positions in better markets
- Flexibility in choosing projects due to extensive construction knowledge
- Leveraging internal sales and marketing to provide a better customer experience

The next six months will be 'golden' for homebuilder stocks, analysts say

- “We see multiple catalysts for order growth and rising demand,” said Wedbush analyst Jay McCanless
- Including lower mortgage rates, which are helping boost affordability

Proposal

BJORKLUND FUND

Century Communities, Inc.

Symbol: ccs

Analyst

Phillip Harabarovici

Buy below

\$28.70

Sell above

\$34.51

Probability of Price Increase

91%

Last Price

\$28.26

Intrinsic Value

\$28.76

Target Dividends

\$0.00

Target Price

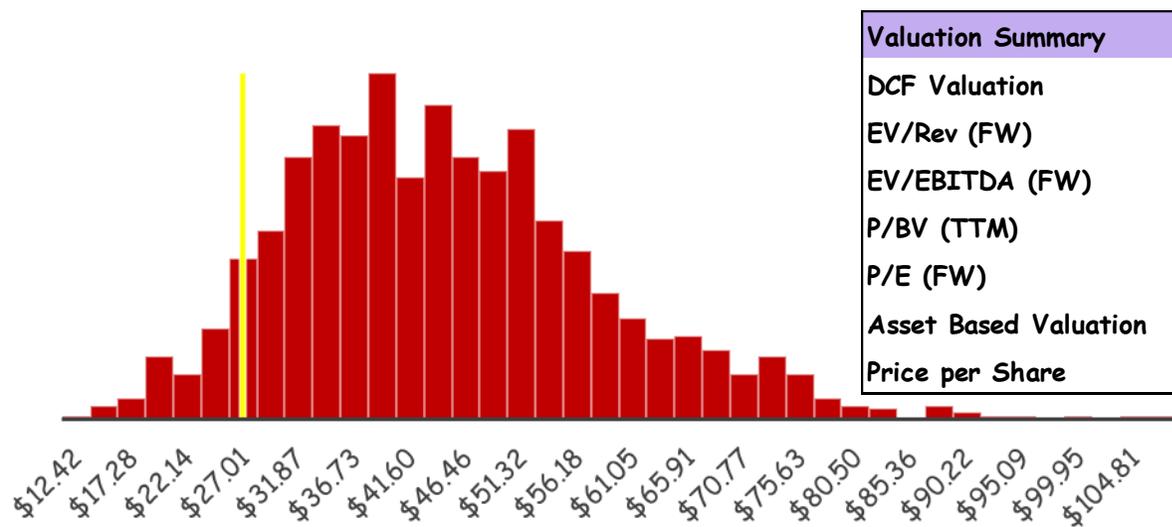
\$34.44

October Earnings Met EPS \$0.87

Revenue beat \$1.78M

Next Earnings Expected Mid - February

Intrinsic Value Distribution--Probability (Upside)=90.5%



Valuation Summary	Intrinsic Value	Target Price	Model Weight
DCF Valuation	\$ 34.37	\$ 43.57	50%
EV/Rev (FW)	\$ 43.75	\$ 47.45	0%
EV/EBITDA (FW)	\$ 25.57	\$ 27.74	50%
P/BV (TTM)	\$ 39.65	\$ 43.00	0%
P/E (FW)	\$ 37.27	\$ 40.42	0%
Asset Based Valuation	\$ -	\$ -	0%
Price per Share	\$ 29.97	\$ 35.65	100%

Works Cited

- Bureau of economic analysis
 - <https://www.bea.gov/system/files/2019-11/qgdpstate1119.pdf>
- Earnings Call
 - <https://seekingalpha.com/article/4300146-century-communities-ccs-management-q3-2019-results-earnings-call-transcript?page=8>