



**J.P. Morgan Homebuilding & Building Products Conference
May 17, 2017**

Forward-Looking Statements



Items in this presentation, and statements by KB Home management in relation to this presentation or otherwise, may be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current (at the time made) expectations and projections about future events and are subject to risks, uncertainties, and assumptions about our operations, economic and market factors, and the homebuilding industry, among other things. These statements are not guarantees of future performance. We do not have a specific policy or intent of updating or revising forward-looking statements. Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The most important risk factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to the following: general economic, employment and business conditions; population growth, household formations and demographic trends; conditions in the capital, credit and financial markets; our ability to access external financing sources and raise capital through the issuance of common stock, debt or other securities, and/or project financing, on favorable terms; material and trade costs and availability; changes in interest rates; our debt level, including our ratio of debt to capital, and our ability to adjust our debt level and maturity schedule; our compliance with the terms of our revolving credit facility; volatility in the market price of our common stock; weak or declining consumer confidence, either generally or specifically with respect to purchasing homes; competition from other sellers of new and resale homes; weather events, significant natural disasters and other climate and environmental factors, including the prolonged drought and related water-constrained conditions in the southwest United States and California; government actions, policies, programs and regulations directed at or affecting the housing market (including the Dodd-Frank Act, tax benefits associated with purchasing and owning a home, and the standards, fees and size limits applicable to the purchase or insuring of mortgage loans by government-sponsored enterprises and government agencies), the homebuilding industry, or construction activities; changes in existing tax laws or enacted corporate income tax rates; the availability and cost of land in desirable areas; our warranty claims experience with respect to homes previously delivered and actual warranty costs incurred; costs and/or charges arising from regulatory compliance requirements or from legal, arbitral or regulatory proceedings, investigations, claims or settlements, including unfavorable outcomes in any such matters resulting in actual or potential monetary damage awards, penalties, fines or other direct or indirect payments, or injunctions, consent decrees or other voluntary or involuntary restrictions or adjustments to our business operations or practices that are beyond our current expectations and/or accruals; our ability to use/realize the net deferred tax assets we have generated; our ability to successfully implement our current and planned strategies and initiatives related to our product, geographic and market positioning, gaining share and scale in our served markets; our operational and investment concentration in markets in California; consumer interest in our new home communities and products, particularly from first-time homebuyers and higher-income consumers; our ability to generate orders and convert our backlog of orders to home deliveries and revenues, particularly in key markets in California; our ability to successfully implement our returns-focused growth roadmap/strategy and achieve the associated revenue, margin, profitability, cash flow, community reactivation, land sales, business growth, asset efficiency, return on invested capital, return on equity, net debt-to-capital ratio and other financial and operational targets and objectives; the ability of our homebuyers to obtain residential mortgage loans and mortgage banking services; the performance of mortgage lenders to our homebuyers; completing the wind-down of Home Community Mortgage as planned; Stearns Lending, LLC’s management of Home Community Mortgage’s assets and operations; the performance of our mortgage banking joint venture with Stearns Lending, LLC; information technology failures and data security breaches; and other events outside of our control. Please see our periodic reports and other filings with the Securities and Exchange Commission for a further discussion of these and other risks and uncertainties applicable to our business.

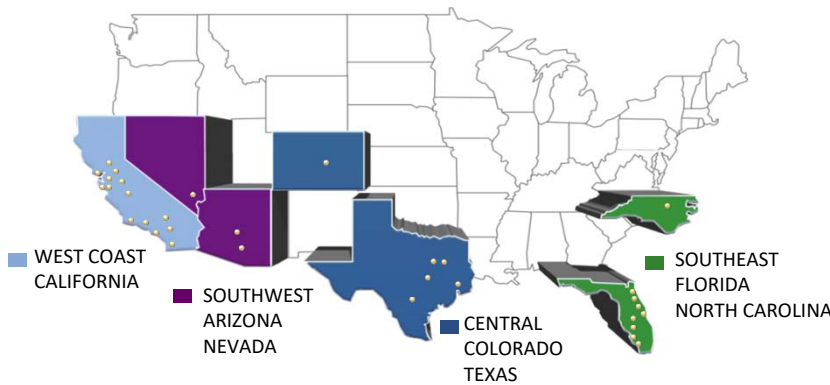
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KB Home (NYSE: KBH) – A Differentiated Story



Well positioned in the right markets with the right products and an operating model that appeals to customers. We have a strategy and roadmap to achieve our mid-term targets.

DIVERSIFIED – Existing geographic footprint offers potential for substantially larger scale. Markets selected for their long-term economic and demographic growth potential.

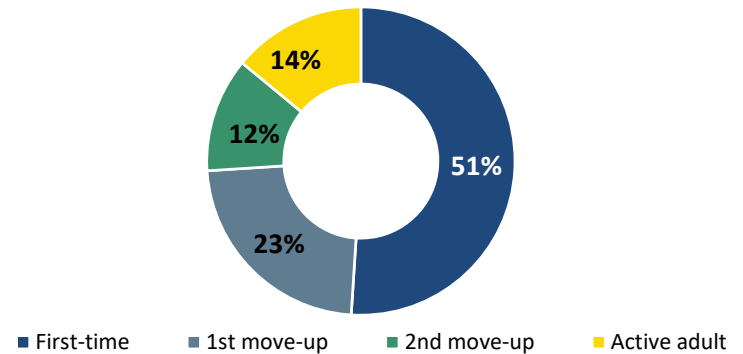


Core Business Strategy – KB2020

Establish Top 5 Position in our Served Markets

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TARGETED – Focused on first-time buyers, the largest demand segment, which accounted for nearly 60% of our deliveries in the past 10 years. Multiple drivers supporting favorable supply/demand dynamics.



Q1 2017 Buyer Profile

KB Home (NYSE: KBH) – A Differentiated Story



UNIQUE – With a **Built-to-Order (BTO)** model, we sell and build the home the customer values. BTO provides flexibility to move with demand, which drives absorption. With a large backlog of sold homes, we can manage starts to achieve even-flow production at the community level, driving efficiencies in overhead and cost to build.



COMPELLING – Business strategy and roadmap in place to achieve returns-focused growth. Poised to build on momentum of growing revenues, profitability and returns. Strong operating cash flow supports both increasing land investment to drive future growth and debt reduction to achieve mid-term leverage target.



Where We Are Headed



Returns-Focused Growth. We plan to continue growing our business while reducing leverage and increasing returns.

Execute Core Business Strategy

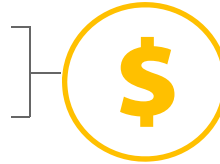
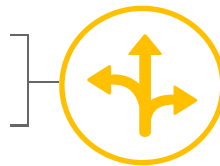
- Increase scale, expand market share in existing footprint
- Improve profitability per unit and operating income margin

Monetize Deferred Tax Asset

- Accelerate utilization of DTA as pretax income continues to grow

Improve Asset Efficiency

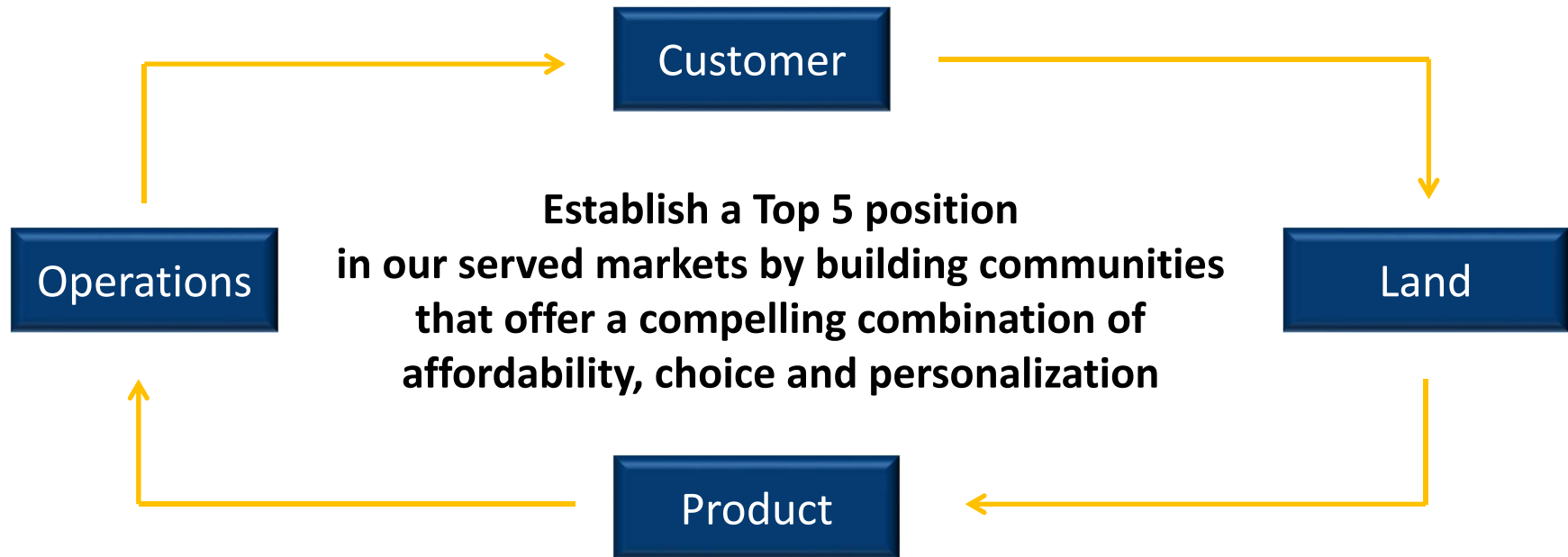
- Improve absorption per community
- Continue reactivating communities
- Sell non-core assets
- Deploy excess cash



Key Three-Year Targets (2019)

- Grow revenues, expand operating income margin, accelerate earnings
- ROIC in excess of 10%
- ROE in the low-to-mid double digits
- Net debt-to-capital ratio of 40% to 50%

Core Business Strategy – KB2020



Solid Foundation Supporting Business Strategy



Customer

- Target first-time and first move-up buyers (~80% of our deliveries over past 15 years)
- Offer products that are affordably priced for the median household income of the submarket
- Provide high customer satisfaction from sale to delivery

Land

- Invest in and develop land positions within prime growth submarkets that provide a 2-3 year supply of land/lots
- Committed to existing geographic footprint – potential for significant upside
- Focus on individual assets generally offering maximum of 2 product lines and 250-300 lots

Product

- Design products that maximize value to the customer
- Create a base product with a standardized set of functions and features at a competitive price per square foot
- Provide structural choices enabling the customer to select lot, floor plan and elevation then leverage the Studio for personalization

Operations

- Drive efficient, low-cost production through disciplined and scalable operations using a built-to-order (BTO) model
- Significant advantages of BTO:
 - Efficient in managing to an even-flow production process
 - Reinforces our preferred position with subcontractors
 - Minimizes speculative inventory and margin variability
 - Provides predictability on deliveries

Converting Assets to Productive Status



Monetize Deferred Tax Asset and Improve Asset Efficiency

Primary focus is on three significant asset categories:



1

Deferred Tax Asset: accelerate utilization through growth in pretax earnings

2

Inactive Inventory: continue community reactivations and complete sales of non-core assets

3

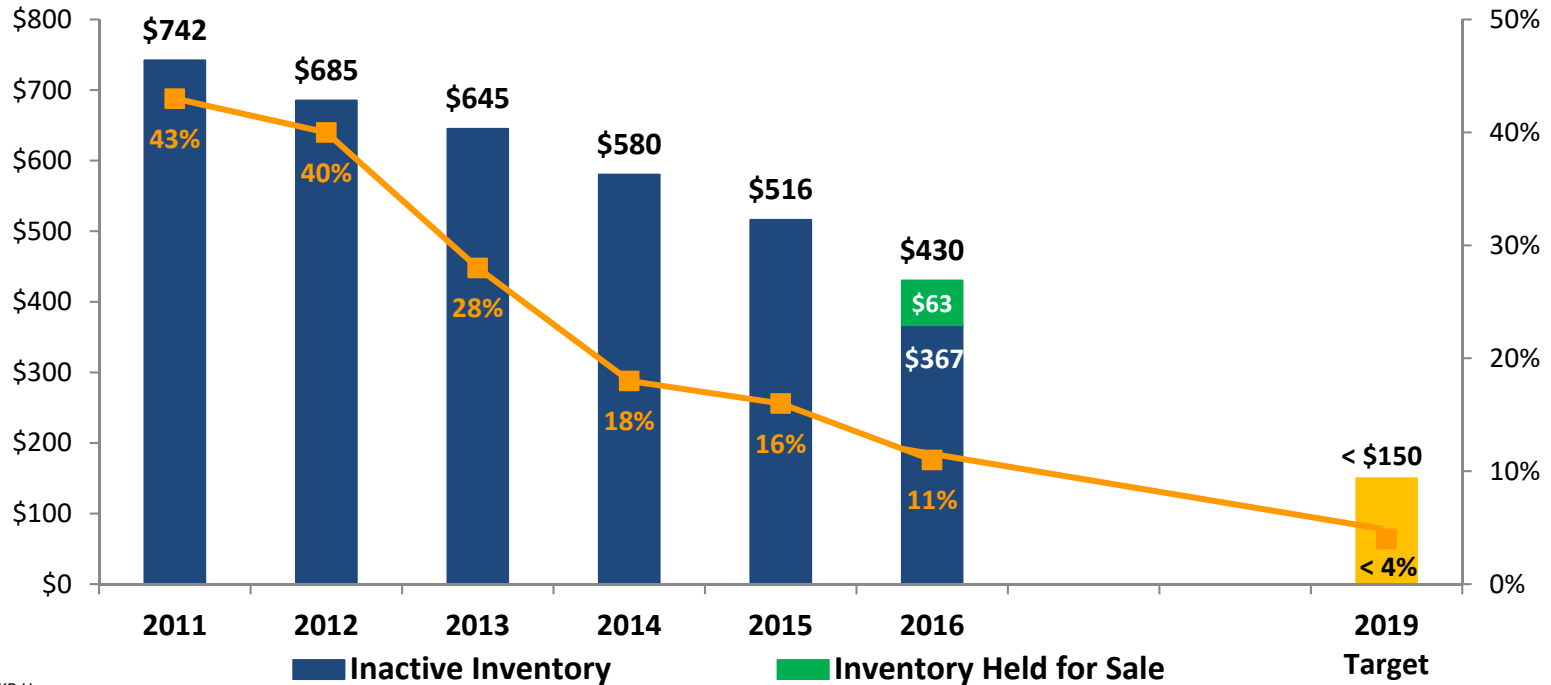
Cash: utilize revolver capacity to support reduction of excess cash

Significant Reduction in Inactive Inventory



(\$ in millions)

Continued Community Reactivations and Select Asset Sales to Drive Reduction



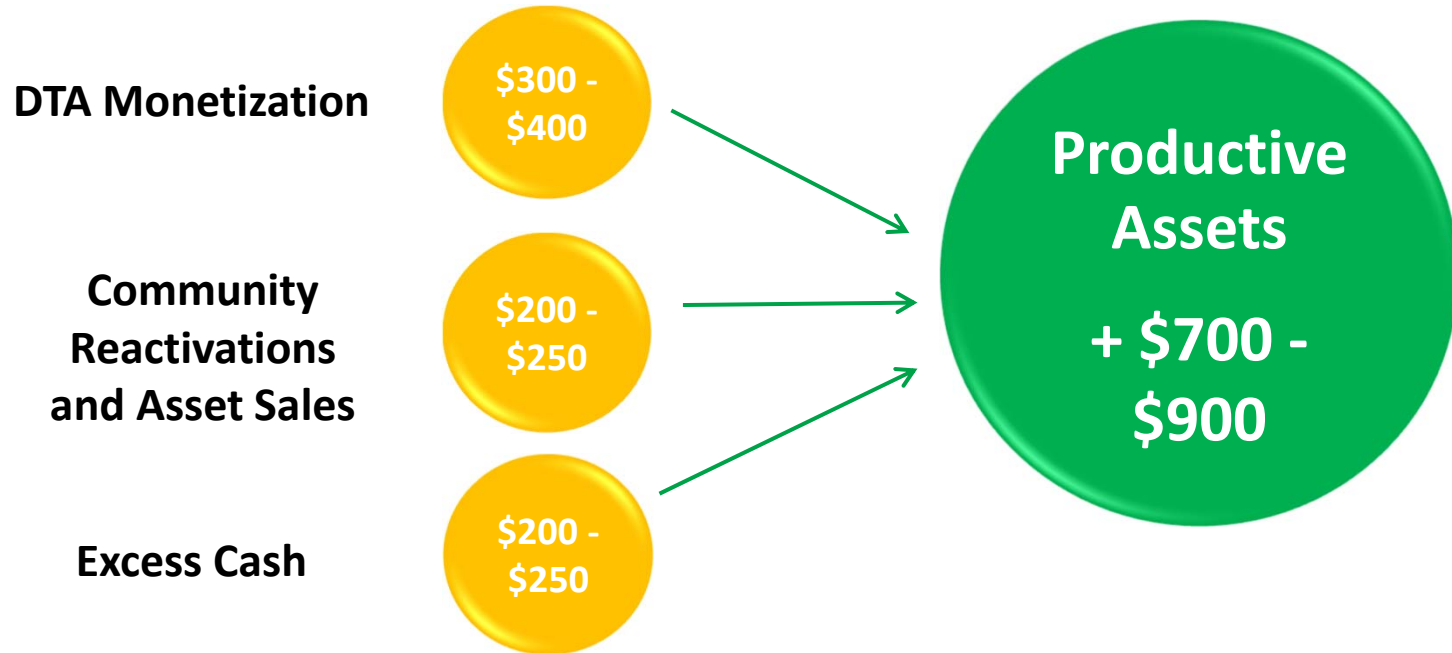
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Meaningful Potential to Grow Productive Assets



(\$ in millions)

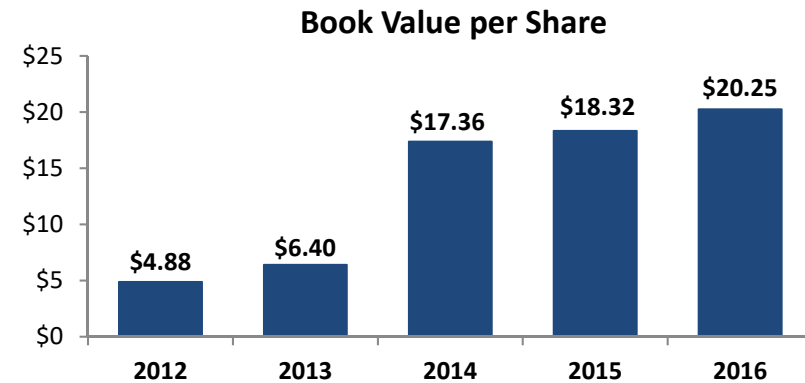
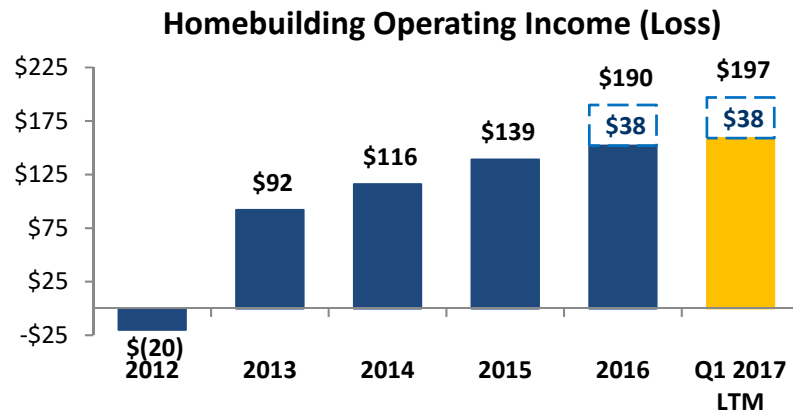
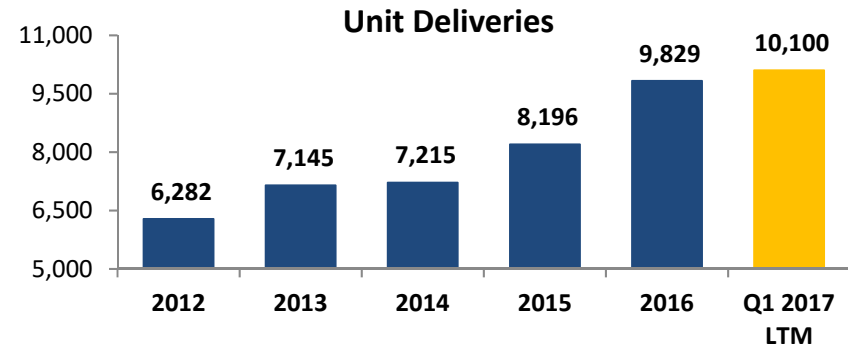
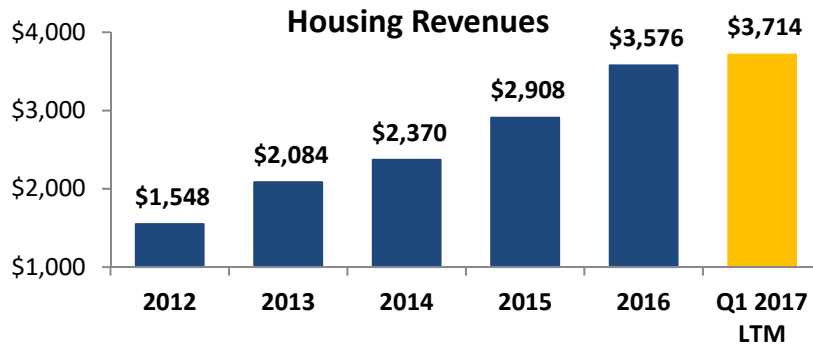
Expand Income Generating Assets by Up to \$900 Million



Solid Improvement in Key Profitability Metrics



(\$ in millions)

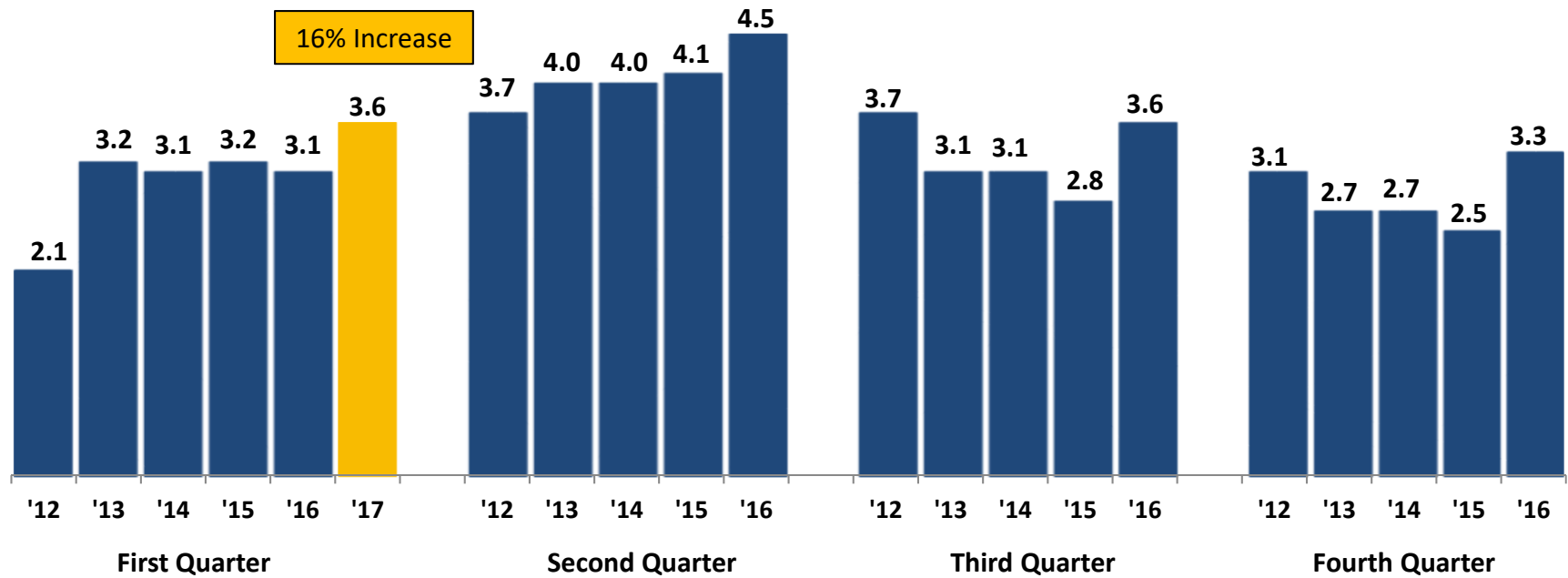


© 2017 KB Home \$38 Represents inventory-related charges associated with planned future land sales and the Company's exit from the Metro D.C. region.

Approaching Targeted Absorption Rate



Net Orders per Community per Month

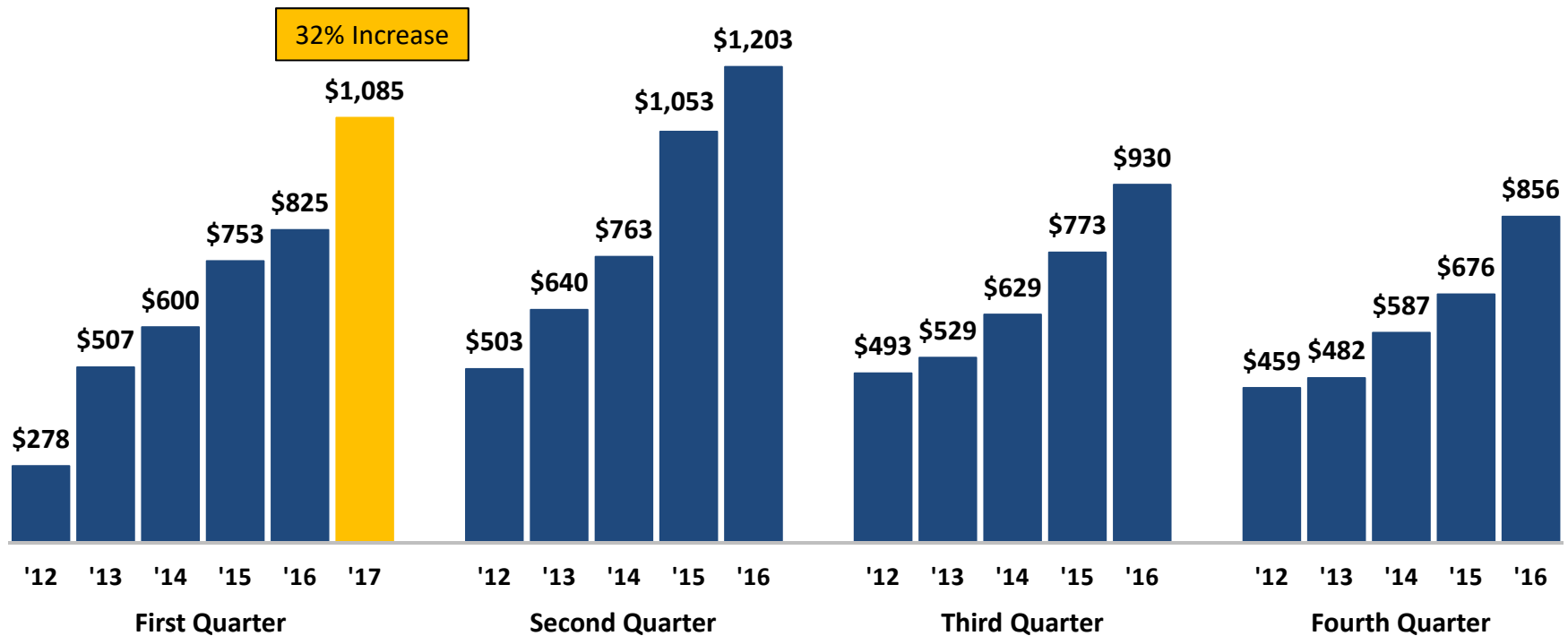


Significant Growth in Net Order Value



(\$ in millions)

20 Consecutive Quarters of Year-over-Year Increases

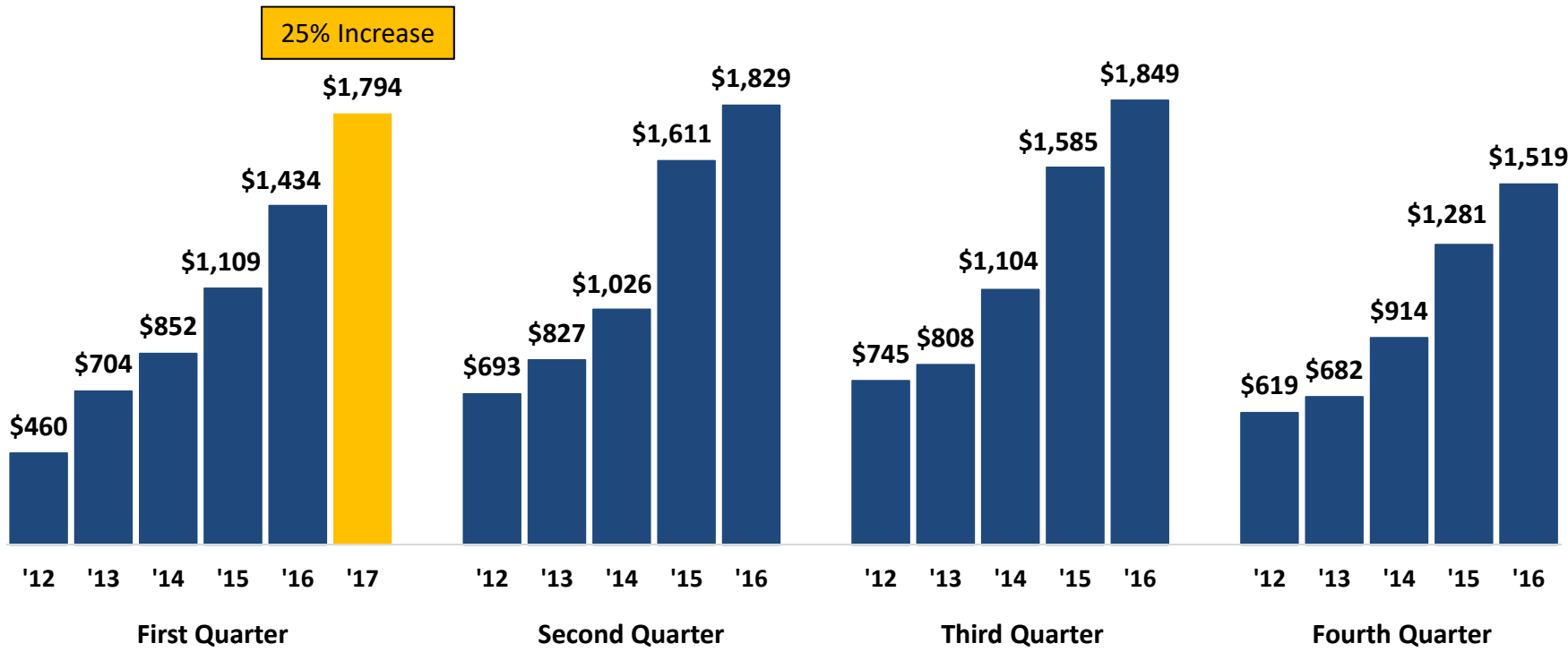


Building Our Backlog



(\$ in millions)

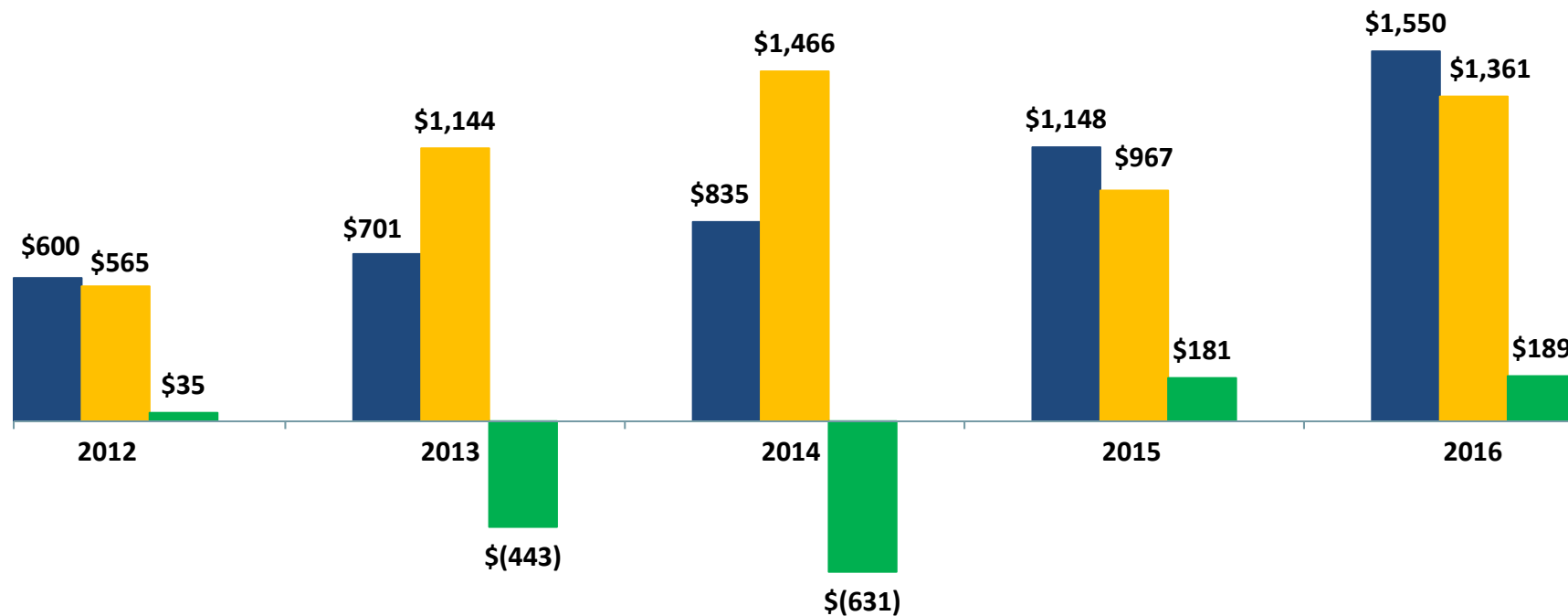
Backlog Supports Future Revenue Growth



Generating Significant Levels of Operating Cash



(\$ in millions)



■ Gross Cash from Operating Activities ■ Land and Development Investment ■ Net Cash provided by (used in) Operating Activities

Roadmap to Increase Stockholder Value

