Returns-Focused Growth Plan Update

November 7, 2017

Forward-Looking Statements

Items in this presentation and the presentations made as part of KB Home's Returns-Focused Growth Plan update conference call, and statements by KB Home management in relation to these presentations or otherwise, may be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect management's views and expectations as of the date made of market conditions, future events and our business performance. These forward-looking statements are not guarantees of future results, and we do not undertake any obligation to update them. Our actual results could be materially different from those expressed, forecasted and/or implied by the forward-looking statements due to a number of factors, including, but not limited to: general economic, employment, market and business conditions; population growth, household formations and demographic trends; conditions in the capital, credit and financial markets; 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; weak or declining consumer confidence, either generally or specifically with respect to purchasing homes; competition from other sellers of new and resale homes; changes in existing tax laws or enacted corporate income tax rates; the availability and cost of land in desirable areas; 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; 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 strategy and achieve the associated revenue, margin, profitability, cash flow, community reactivation, land sales, business growth, asset monetization and 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; the performance of KBHS Home Loans, LLC, our mortgage banking joint venture with Stearns Lending, LLC; and events outside of our control. Please see our periodic reports and other filings with the Securities and Exchange Commission (which are available on our website at investor.kbhome.com and on the SEC's website at sec.gov) for a further discussion of these factors, and other risks and uncertainties applicable to our business.

Jeffrey Mezger

Chairman, President & Chief Executive Officer

Significant Progress Over Past Three Years

($ in millions except EPS and BVPS)

	2014	LTM Q3 2017	Improvement
Deliveries	7,215	10,629	47%
Housing Revenues	$2,370	$4,129	74%
HB Operating Income	$116	$208	79%
Pretax Income	$95	$208	119%
Diluted EPS	$.60*	$1.40	133%
Stockholders' Equity	$1,596	$1,841	15%
Book Value per Share	$17.36	$21.28	23%
Notes Payable	$2,551	$2,337**	$214
Net Debt to Capital***	57.6%	52.2%	540 bps

* Adjusted to reflect a normalized tax rate and exclude DTA valuation allowance reversal in 2014

** Pro forma Q3 2017 balance, net of September 2017 debt retirement

*** See Appendix: Reconciliation of Non-GAAP Financial Measures

Returns-Focused Growth Plan

Growing Our Business While Increasing Returns

Execute KB2020 – Our 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
- Improve inventory turns
- Continue reactivating communities
- Sell non-core assets
- Deploy excess cash

Key Three-Year 2019 Targets
- Accelerate earnings through revenue growth to over $5 billion and expansion of operating income margin to 8% – 9%
- ROIC in excess of 10%
- ROE of 10% to 15%
- Net debt to capital ratio of 40% to 50%

KB2020 – Our Core Business Strategy

Customer

Land

Product

Operations

Establish a Top 5 position
in our served markets by building
communities that offer a compelling
combination of affordability, choice and
personalization

Solid Foundation Supporting Strategy

Customer

- Continue primarily targeting first-time buyers (~60% of our deliveries over past 10 years)
- Offer products that are affordably priced for the median household income of the submarket
- Focus on providing high customer satisfaction from sale to delivery

Land

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

Product

- Design products to 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 choice, enabling the customer to select lot, floor plan and elevation, then leverage the KB Home Studio for interior personalization

Operations

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

Execute Core Business Strategy

Our Core Strategy is Producing Strong Results

Increase scale	✓	Housing revenues +20% in 2017 Deliveries +10% in 2017 Opening 100 new communities in 2017
Expand market share	✓	Incremental gains in Top 5 market share positions
Improve profitability per unit[1, 2]	✓✓	LTM Q3 2017: $24,421 (+17%) 2016: $20,876
Improve homebuilding operating income margin[2]	✓✓	2017: 6.7% 2016: 5.7%

1 Profitability per unit defined as adjusted housing operating income per unit

2 See Appendix: Reconciliation of Non-GAAP Financial Measures

References to 2017 reflect the Company's expectations as discussed on its Q3 2017 earnings conference call on September 28, 2017

Increasing Community Count

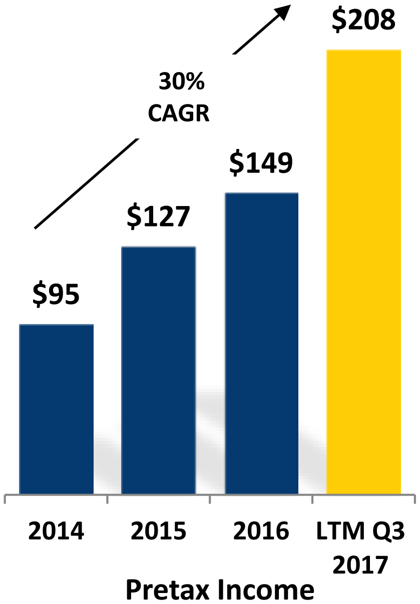
Capital and Teams in Place to Support Community Count Growth

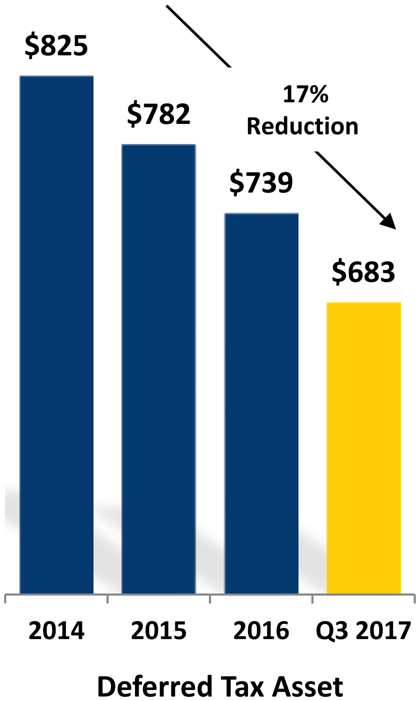
- Focus remains consistent: invest in land positions within prime growth submarkets that provide a 2-3 year supply of land/lots per community
- Committed to growing community count, while improving returns, in alignment with our Returns-Focused Growth Plan
- We have more than doubled our annual operating cash flow in the past three years, providing a robust level of capital to fund land acquisition and development, as well as reduce debt
- Experienced land teams in place to find and close deals

Monetize Deferred Tax Asset

($ in millions)

Significant Growth in Pretax Income Accelerates Utilization of DTA





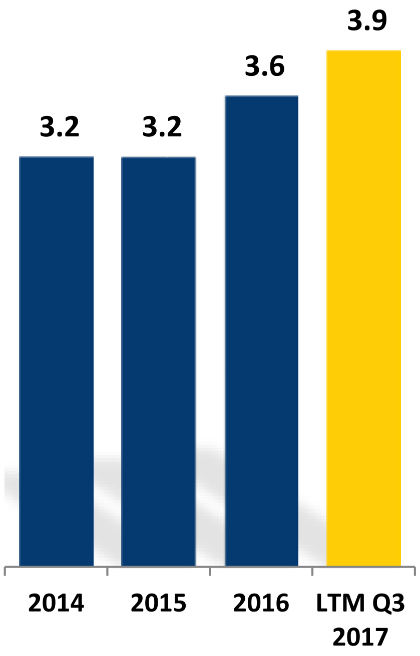
Improve Asset Efficiency

Higher Productivity of Assets is Driving Stronger Cash Flows

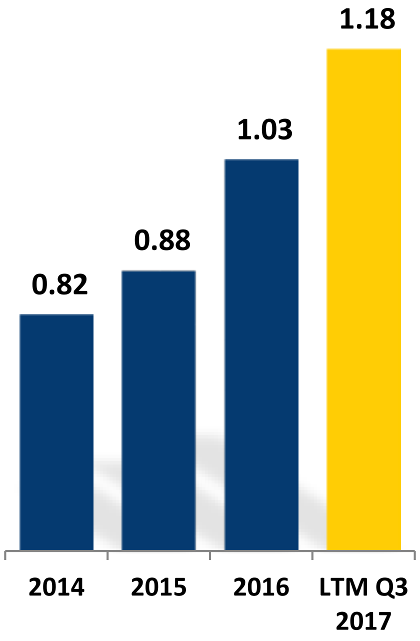
Improve absorption per community	✓✓	LTM Q3 2017: 3.9 net orders per month 2016: 3.6 net orders per month
Improve inventory turns	✓✓	LTM Q3 2017: 1.18 (+15%) 2016: 1.03
Continue reactivating communities	✓✓	Maintaining steady pace of reactivations
Sell non-core assets	✓	Assets identified, negotiating/closing transactions
Deploy excess cash	✓	Higher operating cash flow and increase in revolver capacity enhance capital available for investment or further debt reduction

Improvement in Inventory Turns

Increase in Inventory Turns Contributes to Higher Returns



Net Orders per Community per Month



Inventory Turns

Roadmap to Increase Stockholder Value

Increase Scale	Enhance Profitability	Strengthen Cash Flow	Achieve 2019 Objectives
Grow community count, optimize ASPs and absorptions	Drive higher profitability per unit	Generate higher cash flow from operations	ROIC in excess of 10%, ROE of 10% to 15%
Deliver 10% to 15% revenue growth	Expand homebuilding operating income margin	Accelerate use of DTA, improve asset efficiency, deploy excess cash	Realize net debt to capital of 40% to 50%

On Track to Achieve Mid-Term Targets

Solid Progress on Returns-Focused Growth Plan

	2016	2017 Guidance		2019 Target
Housing Revenues	$3.6 billion	$4.3 billion	→	> $5 billion
HB Operating Income Margin*	5.7%	6.7%	→	8% to 9%
Return on Invested Capital	5.2%	7.0%	→	> 10%
Return on Equity	6.3%	9.4%	→	10% to 15%
Net Debt to Capital*	54.3%	Slightly < 50%	→	40% to 50%

* See Appendix: Reconciliation of Non-GAAP Financial Measures
References to 2017 reflect the Company's expectations as discussed on its Q3 2017 earnings conference call on September 28, 2017

Future Looks Bright

Returns-Focused Growth Plan is Producing Results

- Housing market conditions remain positive, with multiple demand drivers and very low supply
- Our scale is increasing
  - Backlog of $2.1 billion (up 14%) in Q3 2017 supports 2018 revenue growth target of approximately 10%, at the midpoint of our guidance range
  - Planned community count growth in the second half of 2018, continuing into 2019, reinforces revenue target in 2019 in excess of $5 billion
- Higher operating income margin and improved asset efficiency are producing improvements in returns
- We are deploying cash from operations to continue investing in our business and growing our scale in 2019 and beyond, and to reduce our leverage ratio to our targeted range

Jeff Kaminski

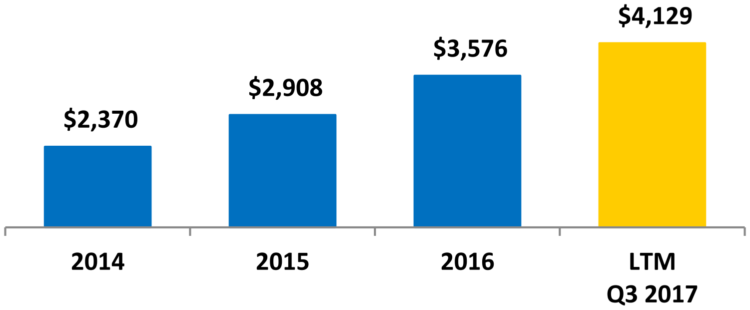
Executive Vice President & Chief Financial Officer

Key Profitability Metrics

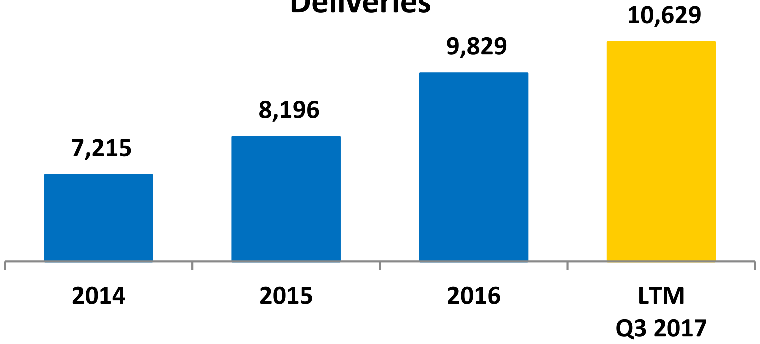
($ in millions)

Significant Improvement in Profitability-Related Metrics

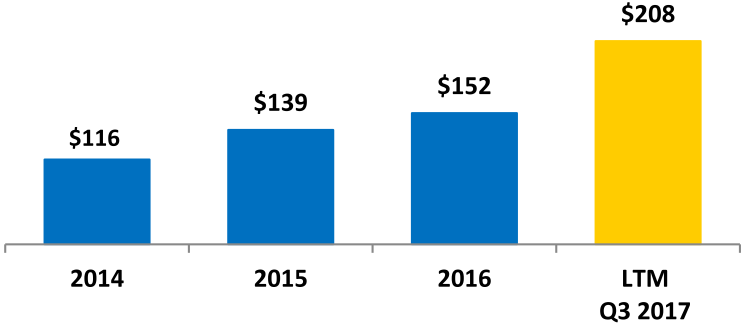
Housing Revenues



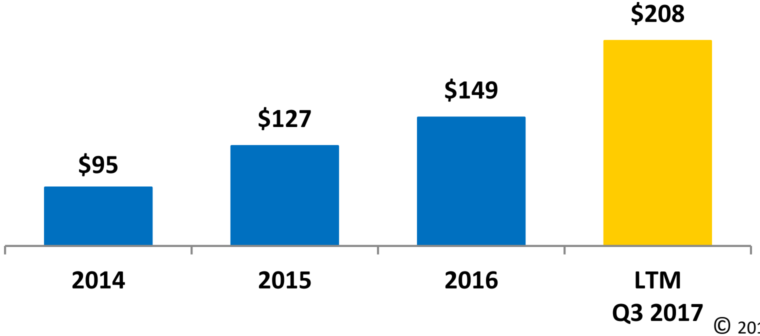
Deliveries



HB Operating Income



Pretax Income



Consistently Strong Performance

	Year-Over-Year Variance			
	Net Order Value	Housing Revenues	HB Operating Income Margin* (bps)	Diluted EPS
Q3 2017	15%	25%	140	21%
Q2 2017	15%	23%	90	94%
Q1 2017	32%	21%	50	7%
Q4 2016	27%	21%	0	-7%
Q3 2016	20%	14%	130	83%
Q2 2016	14%	33%	170	70%
Q1 2016	9%	28%	50	75%

* Excludes inventory-related charges

Converting Assets to Productive Status

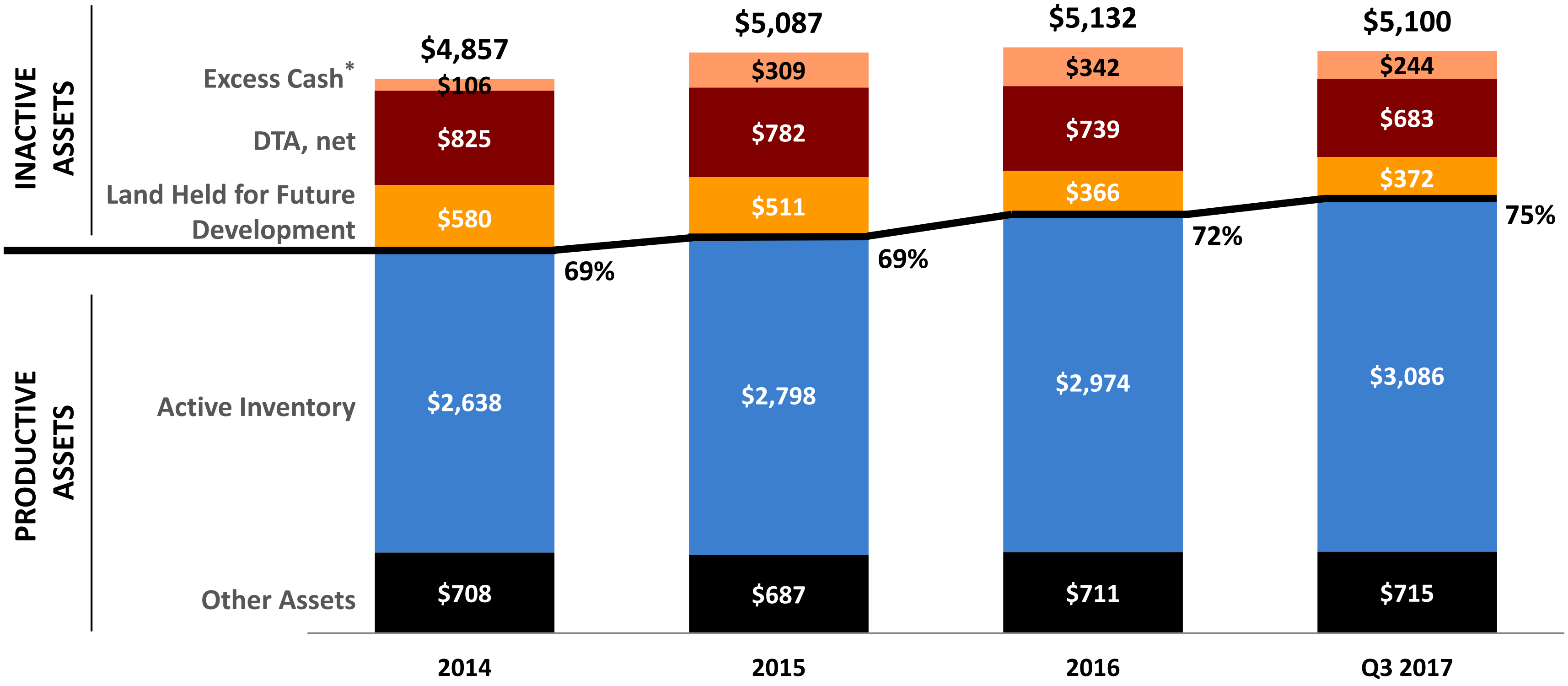
Improve Asset Efficiency and Monetize Deferred Tax Asset

Primary focus is on four significant asset categories:

1. **Active Inventory:** manage communities to optimal absorption pace and optimize land acquisition deal structure and development phasing/investment
2. **Inactive Inventory**: continue community reactivations and complete sales of non-core assets
3. **Deferred Tax Asset**: accelerate utilization through growth in pretax earnings
4. **Cash**: utilize improved operating cash flow and expanded revolver capacity to support future reduction of excess cash balance

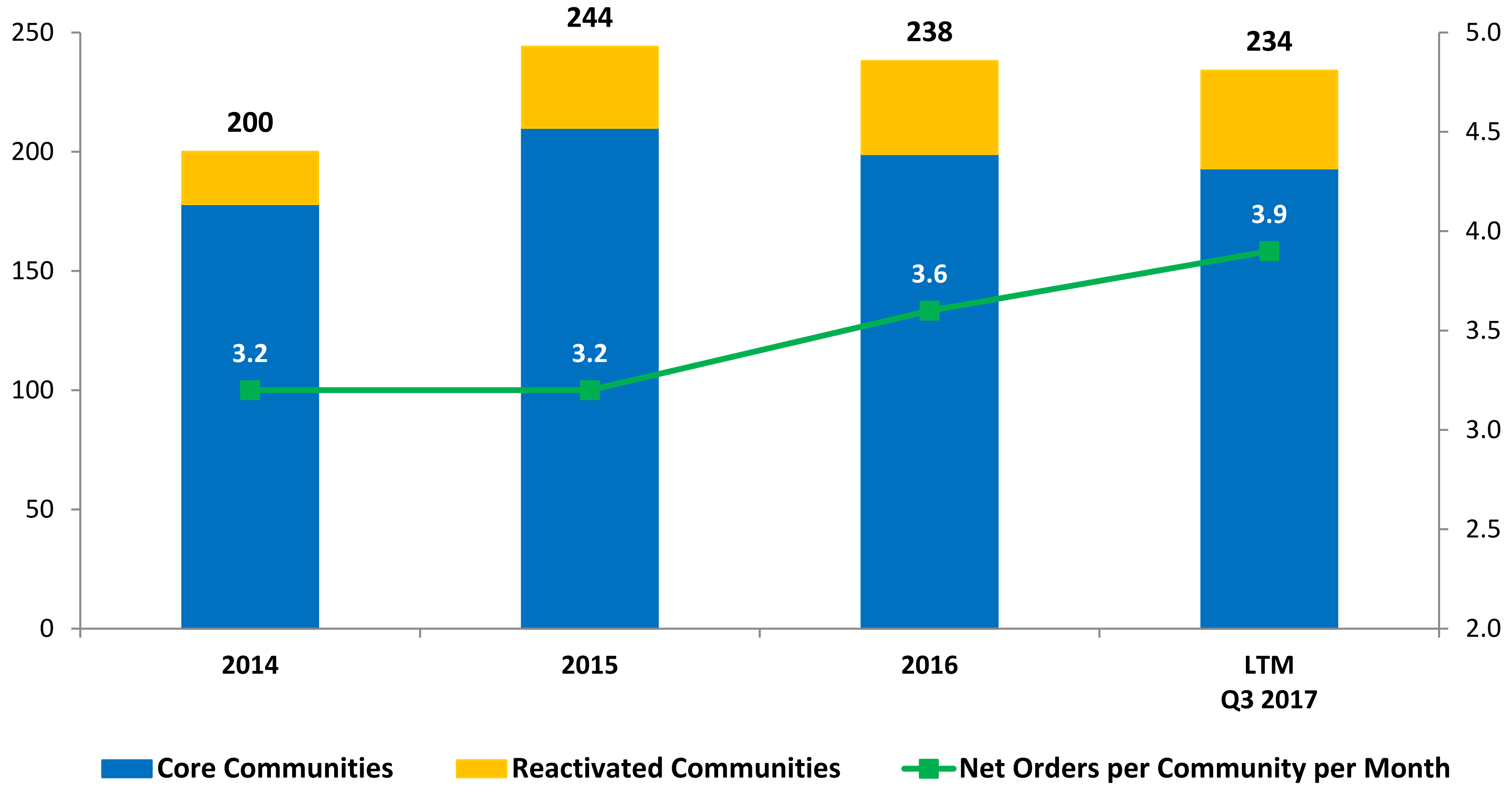
Improving Mix of Productive Assets

($ in millions)

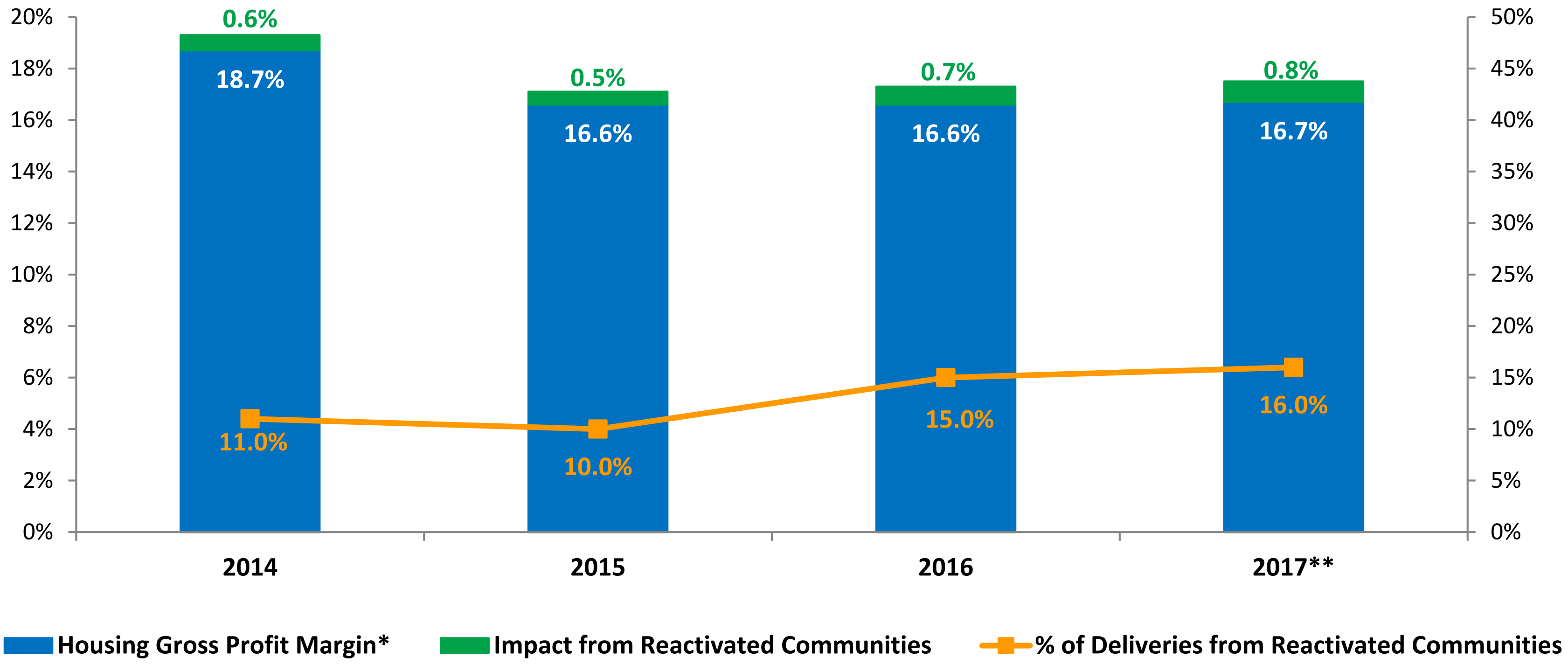


* Represents unrestricted cash in excess of $250 million

Average Community Count



Housing Gross Profit Margin* and Mix of Deliveries



* Excludes inventory-related charges
** Calculated based on Q4 2017 guidance mid-point
See Appendix: Reconciliation of Non-GAAP Financial Measures

Capital Structure Summary

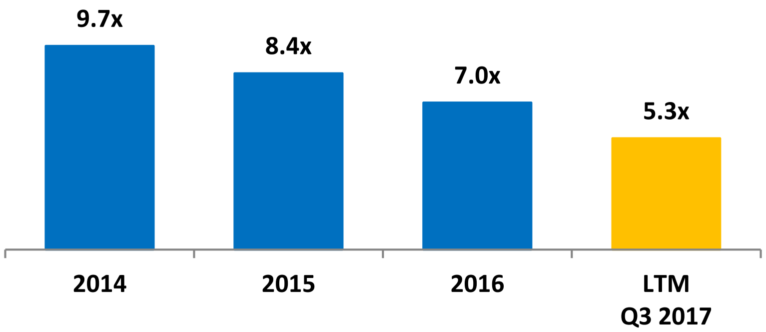
Overall Objectives

- Manage Capital Structure in Alignment with Returns-Focused Growth Plan:
  - Provide capital to support growth in community count and housing revenues
  - Reduce debt and grow retained earnings to achieve leverage ratio target
  - Reduce capitalized interest to drive lower future interest amortization, resulting in gross margin improvements

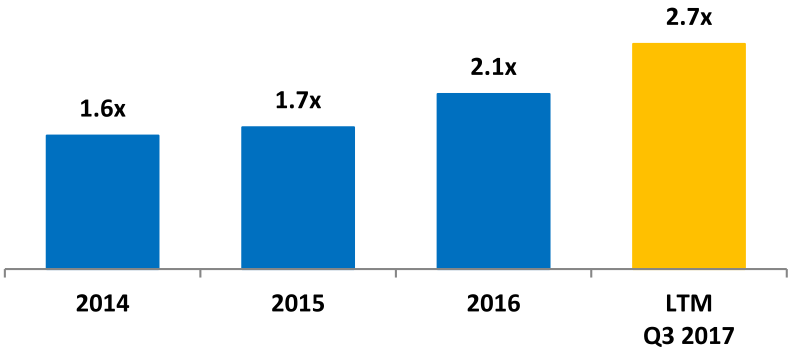
- Retired all $265 million of 9.1% Senior Notes during 2017
- Upsized our unsecured revolving credit facility to $500 million in Q3 2017 and extended its maturity to 2021, enhancing our total liquidity position
- $300 million of 7.25% Senior Notes, due June 2018 - next debt reduction opportunity
- Additional $230 million of debt reduction and increase in equity with no impact on diluted share count if the Convertible Senior Notes convert to equity in Q1 2019 ($27.37 conversion price)
- Expect to be within our target net debt to capital ratio range of 40%-50% by year-end with further improvement expected in 2018 and 2019

Steady Improvement in Key Credit Metrics

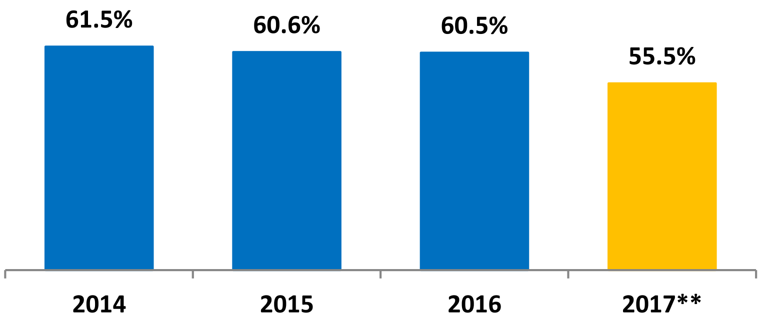
Debt to Adjusted EBITDA Ratio*



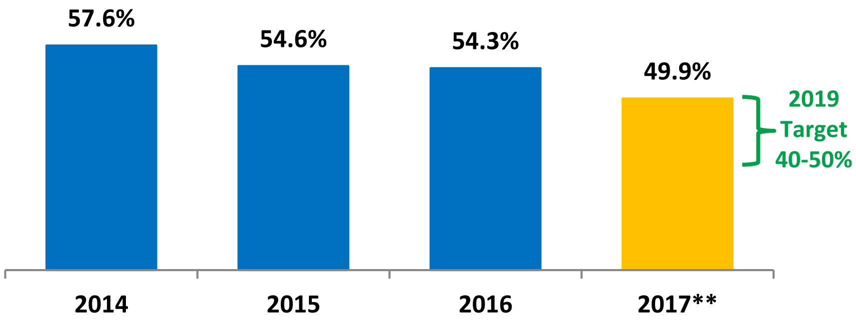
Interest Coverage Ratio*



Debt to Capital***



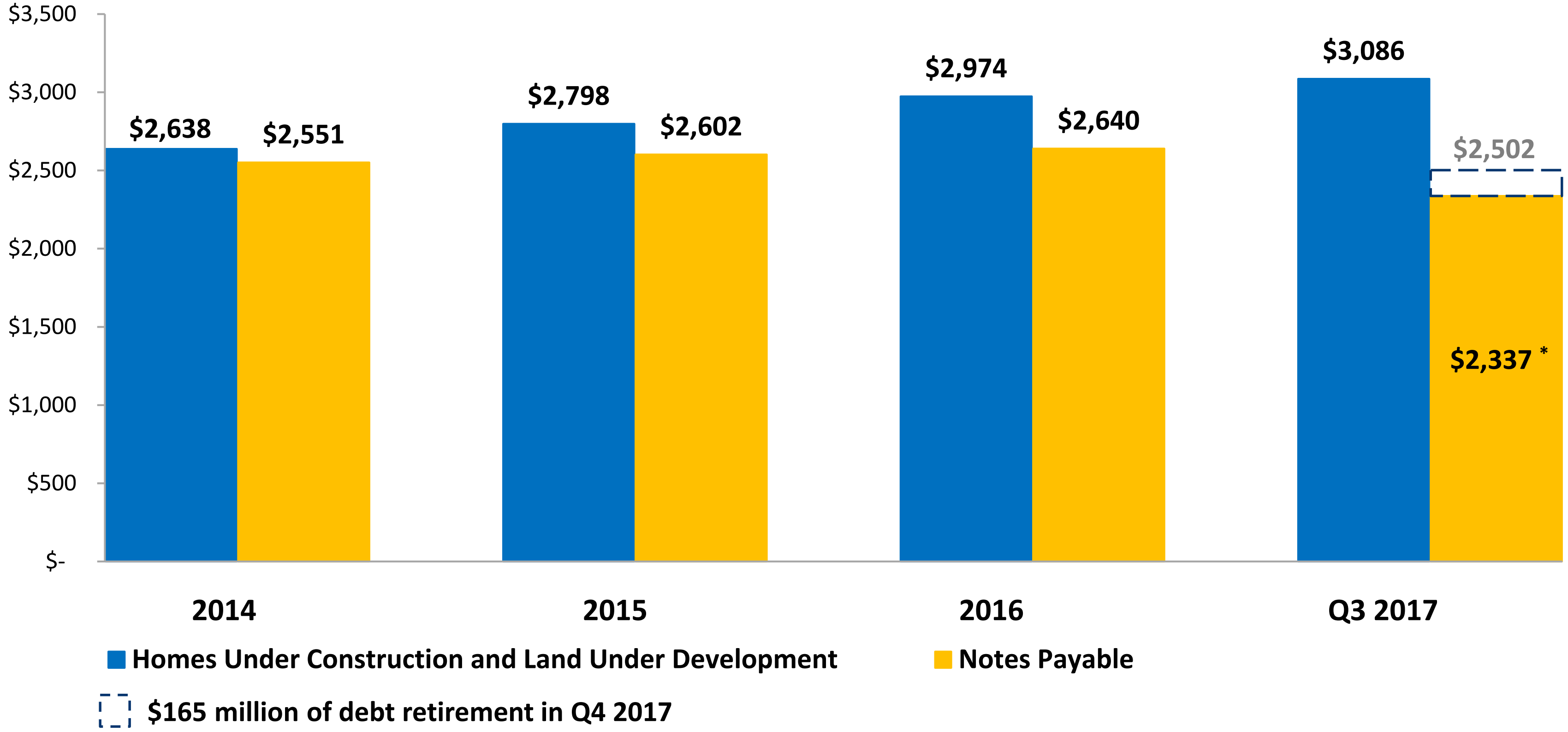
Net Debt to Capital***



* Calculated using the KBH revolving credit facility methodology
** Calculated based on Q4 2017 guidance mid-points
*** See Appendix: Reconciliation of Non-GAAP Financial Measures

Active Inventory and Total Debt

($ in millions)

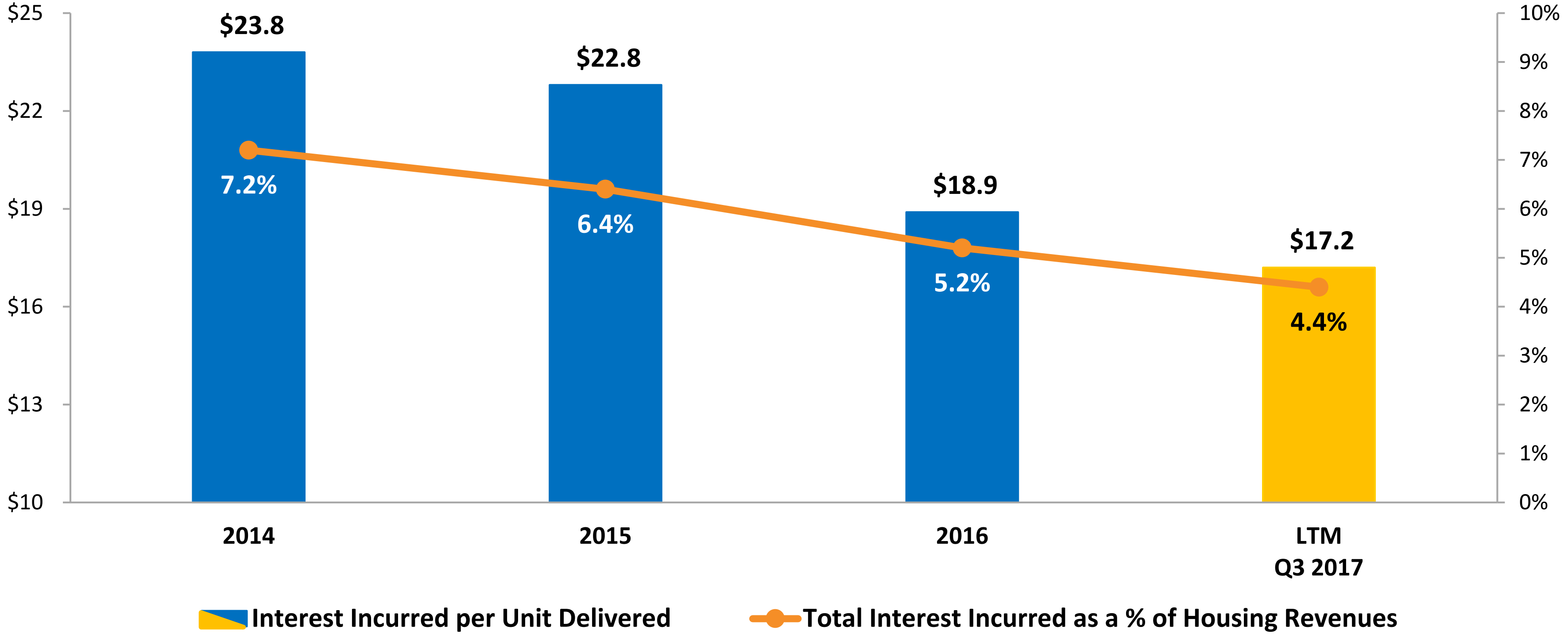


* Pro Forma Q3 2017 net of September 2017 debt retirement

Interest Incurred per Unit Delivered

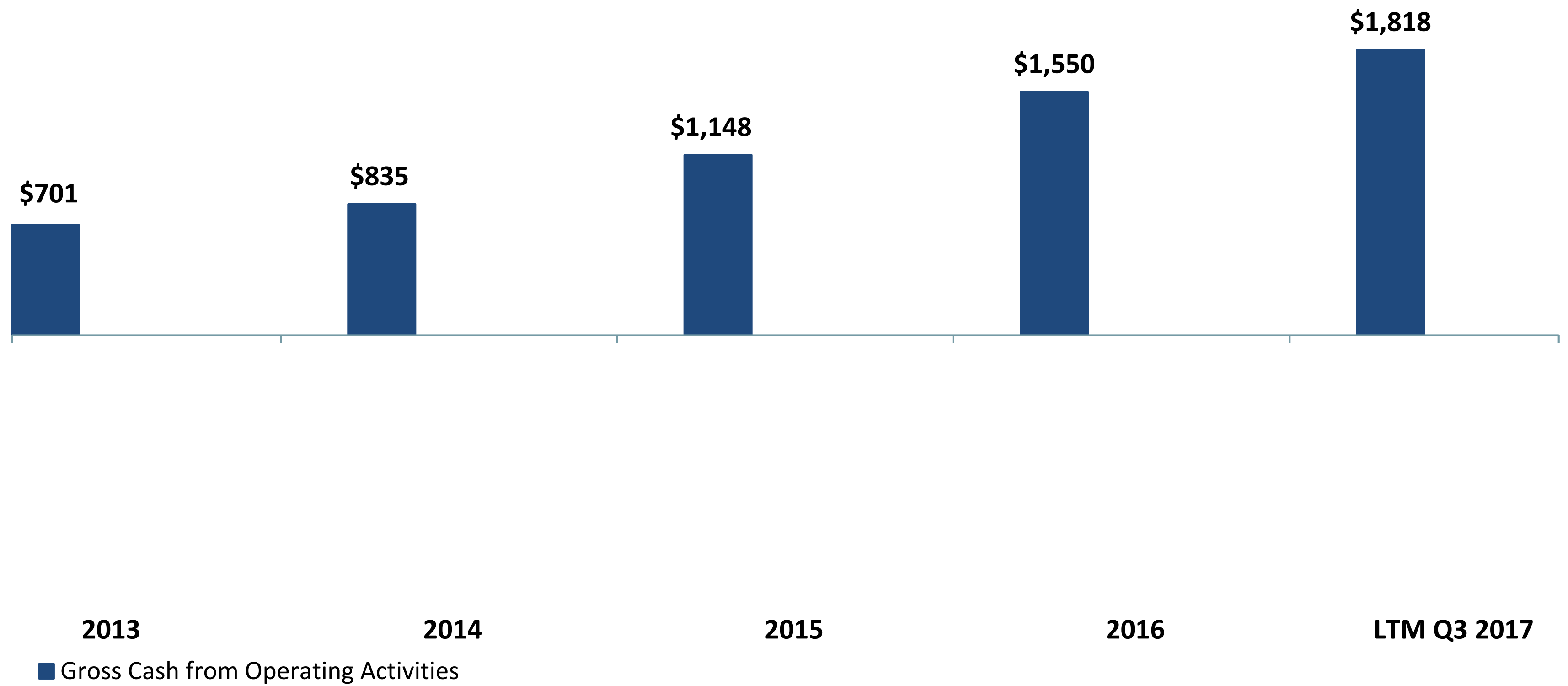
($ in thousands)

Continued Improvement Expected in 2018



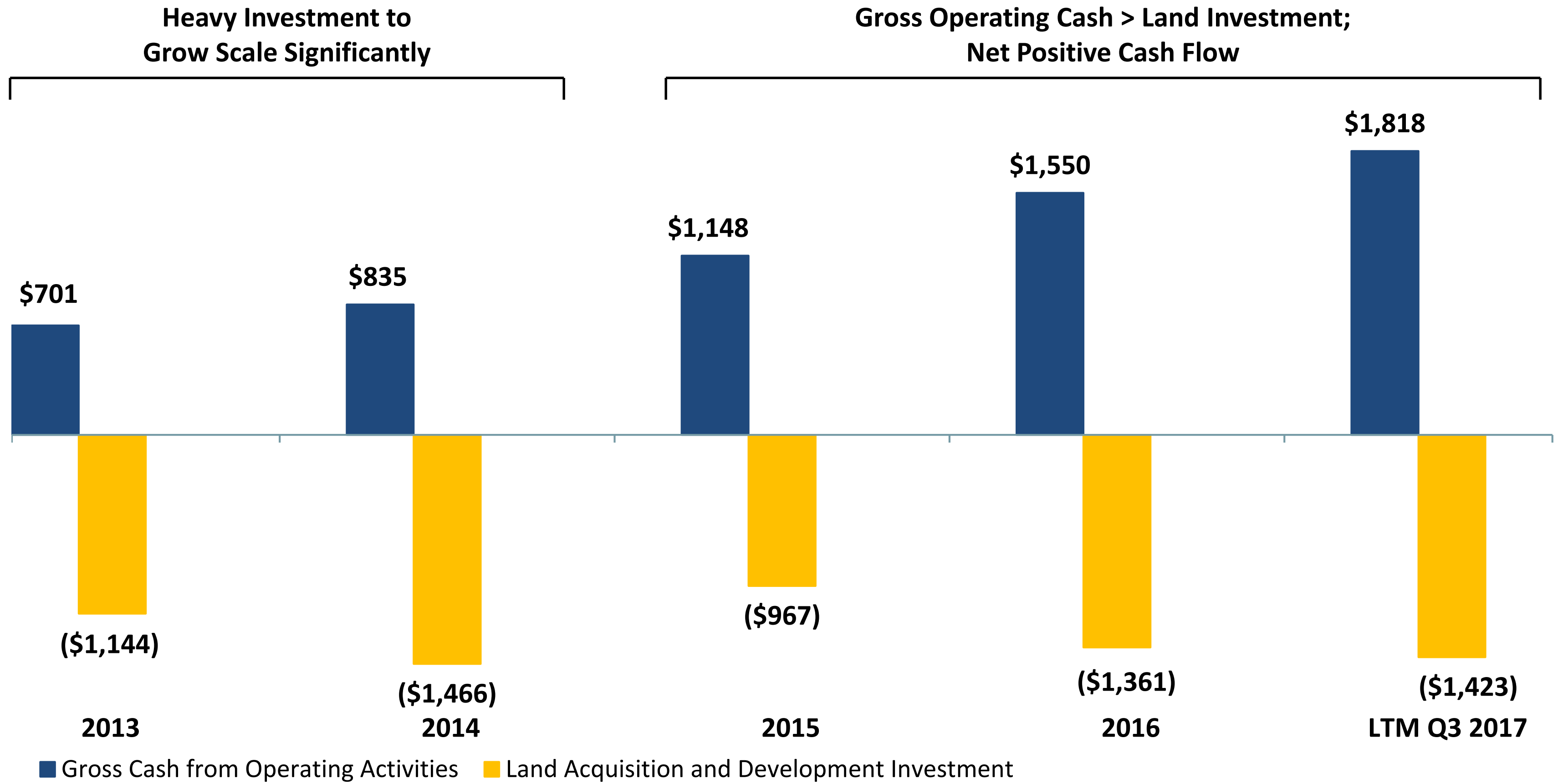
Generating Significant Levels of Operating Cash

($ in millions)



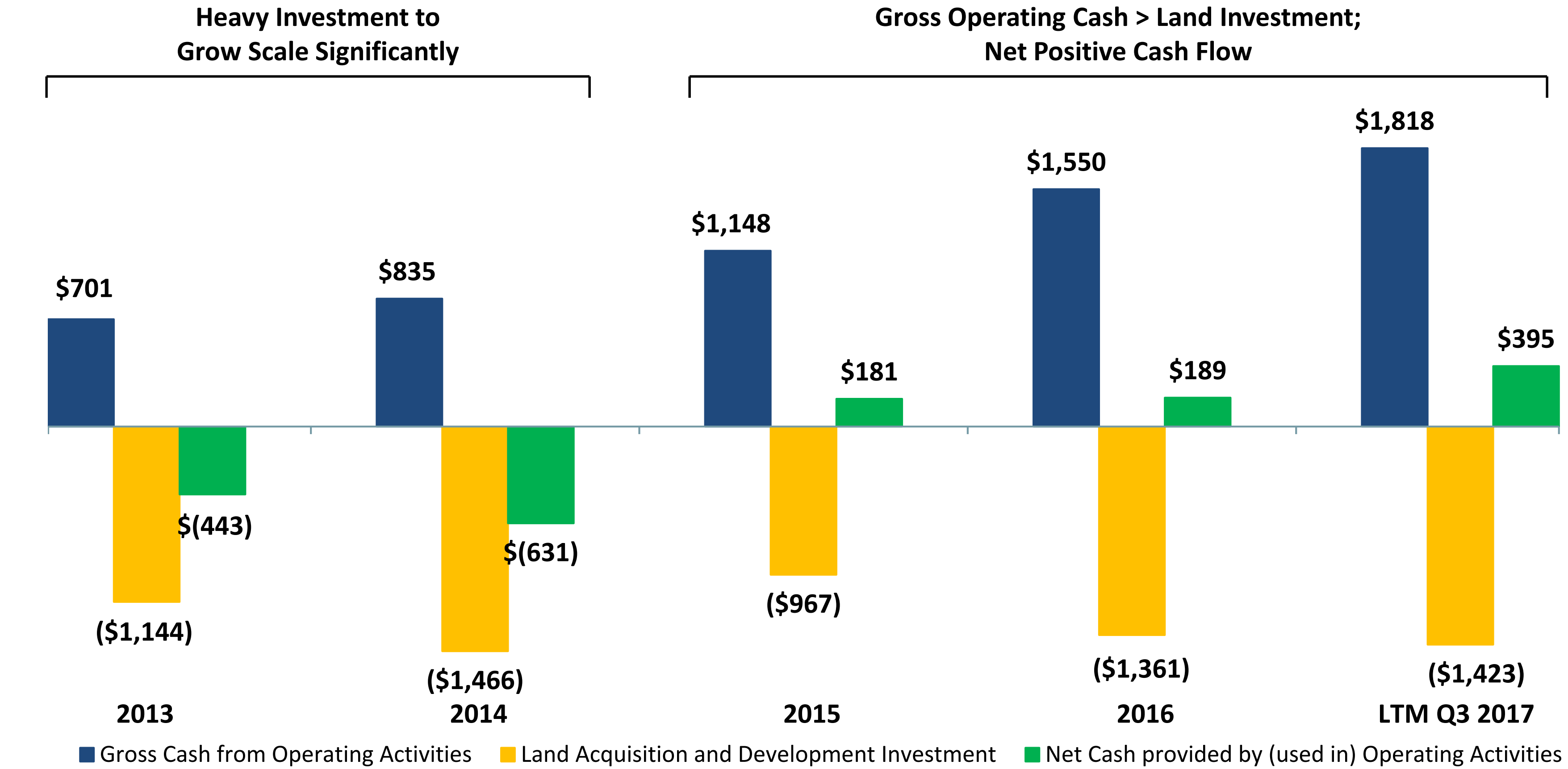
Land Investment Internally Funded since 2015

($ in millions)



Strong Cash Flow Supports Returns-Focused Growth Plan

($ in millions)



Future Financial Performance Expectations

- **Q4 2017 Guidance**

- **Initial Q1 2018 Guidance**

- **Additional 2018 Guidance**
  - Key Year 2 milestones

- **2019 Key Financial Targets**
  - Returns-Focused Growth
  - Achievable objectives

Q4 2017 Guidance

Housing Revenues	$1.3 billion - $1.4 billion
Average Selling Price	$420,000 - $425,000 (prior $425,000 - $430,000)
Housing Gross Profit Margin*	18.0% - 18.3%
SG&A Expense Ratio	Approximately 9.0% (prior 9.2% - 9.4%)
HB Operating Income Margin*	Approximately 9.2% (prior approximately 8.9%)
Tax Rate	Approximately 39%
Average Community Count	Approximately flat
Net Orders (QTD performance)	First nine weeks: Down 1% y-o-y

* Excluding inventory-related charges, if any

Q1 2018 Guidance

Housing Revenues	$840 million - $900 million
Average Selling Price	$385,000 - $395,000
Housing Gross Profit Margin*	16.0% - 16.5%
SG&A Expense Ratio	11.7% - 12.0%
HB Operating Income Margin*	4.3% - 4.7%
Tax Rate	Approximately 39%
Average Community Count	Down low single-digits

* Excluding inventory-related charges, if any

2018 Guidance

Key Milestone: Achieve 2018 Objectives

Housing Revenues	$4.5 billion - $4.9 billion
Average Selling Price	$395,000 - $405,000
Housing Gross Profit Margin*	17.0% - 17.5%
SG&A Expense Ratio	9.7% - 10.0%
HB Operating Income Margin*	7.0% - 7.5%
Tax Rate	Approximately 39%
Average Community Count	Flat to slightly down

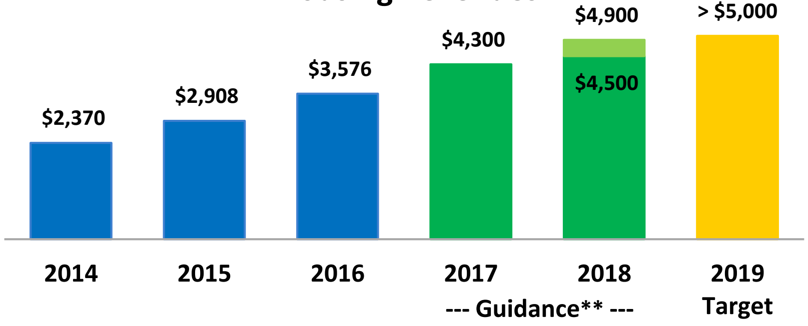
* Excluding inventory-related charges, if any

Key Financial Targets - 2019

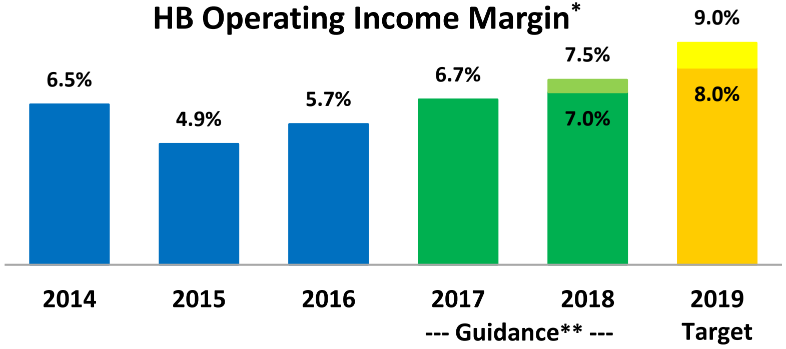
($ in millions)

On Track to Achieve Returns-Focused Growth Plan Targets

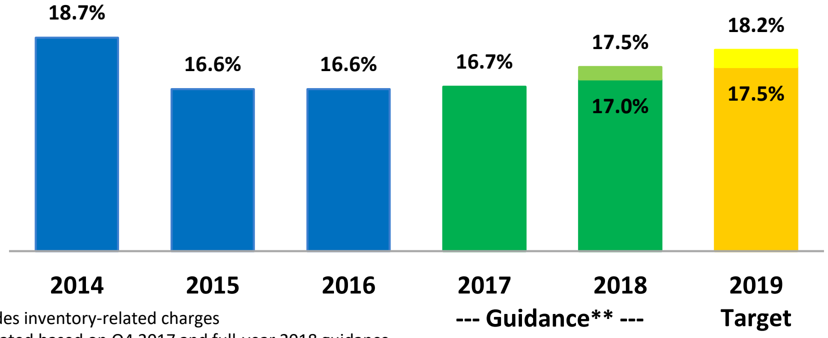
Housing Revenues



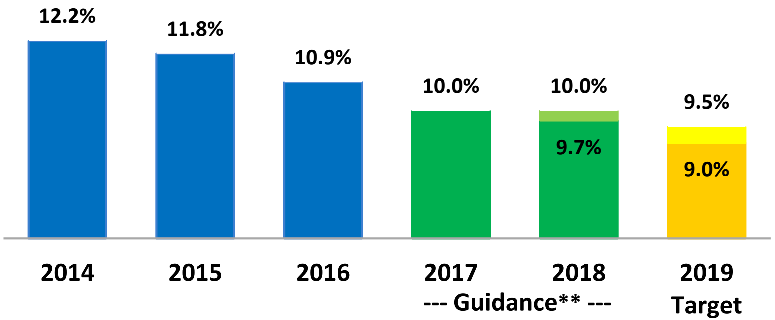
HB Operating Income Margin*



Housing Gross Profit Margin*



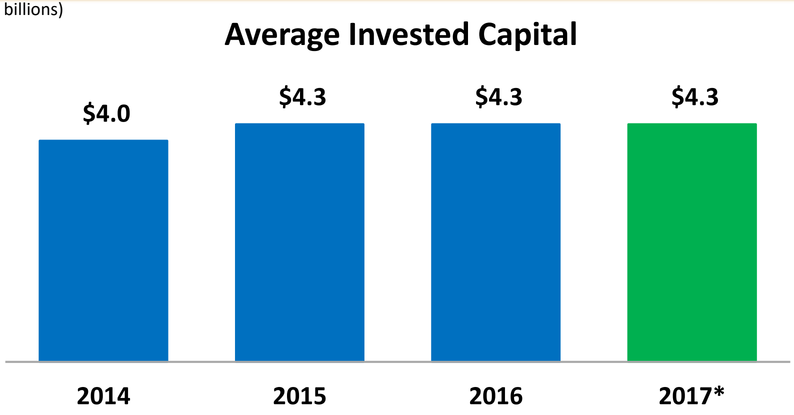
SG&A Expense Ratio

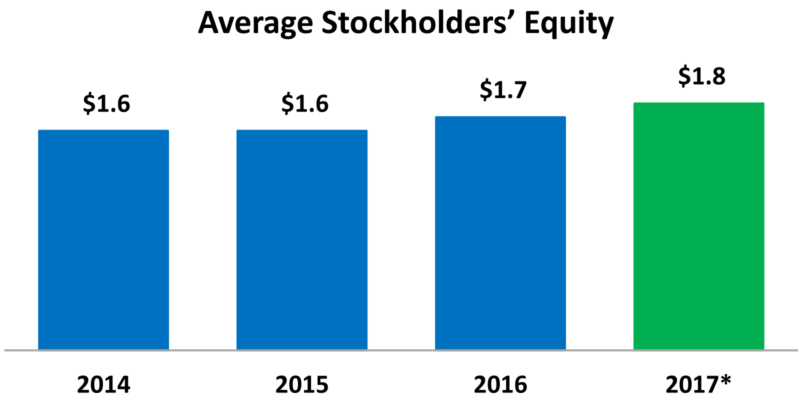


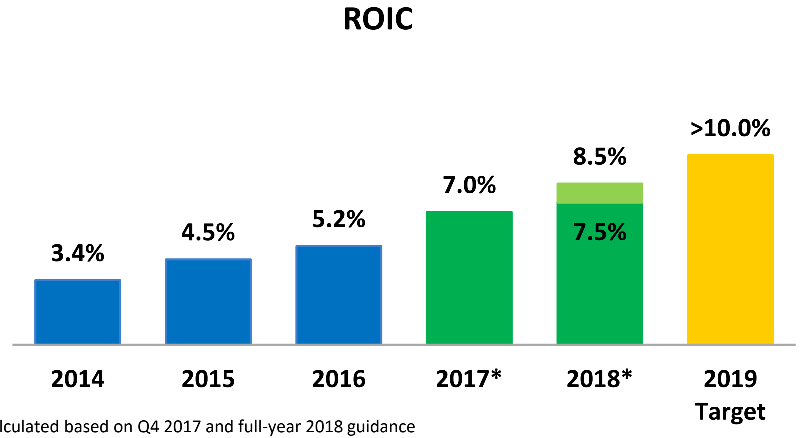
* Excludes inventory-related charges
** Calculated based on Q4 2017 and full-year 2018 guidance
See Appendix: Reconciliation of Non-GAAP Financial Measures

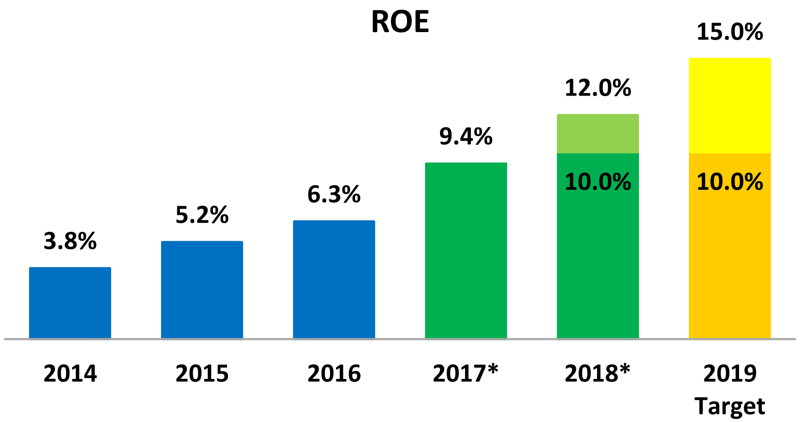
Return Metrics: ROIC & ROE

($ in billions)









* Calculated based on Q4 2017 and full-year 2018 guidance
See Appendix for detailed ROIC and ROE calculations for 2014-2016

Appendix




ROIC Calculation Detail

($ in thousands)

Net Operating Profit After Tax	2014	2015	2016
Pretax income	$ 94,949	$ 127,043	$ 149,315
Add: Net interest expense	30,307	21,398	5,371
Add: Interest amortization in construction and land costs	90,804	143,255	161,285
Net operating profit (EBIT)	216,060	291,696	315,971
Income tax expense	(79,900) *	(97,400)	(92,500)
Net operating profit after tax	$ 136,160	$ 194,296	$ 223,471

Average Invested Capital (Book Value)			
Notes payable – 5 point average	$ 2,385,191	$ 2,669,421	$ 2,627,689
Stockholders' equity – 5 point average	1,595,910 **	1,629,475	1,669,731
Average invested capital	$ 3,981,101	$ 4,298,896	$ 4,297,420
Return on invested capital	**3.4%**	**4.5%**	**5.2%**

* Utilized an assumed 37% ETR for 2014 ($825 million DTA valuation allowance reversal recorded in the fourth quarter)

** Used year-end stockholders' equity for the 2014 calculation due to the fourth quarter DTA valuation allowance reversal

ROE Calculation Detail

($ in thousands)

Net Income	2014	2015	2016
Pretax income	$ 94,949	$ 127,043	$ 149,315
Income tax expense	(35,100) *	(42,400)	(43,700)
Net income	$ 59,849	$ 84,643	$ 105,615
Stockholders' equity – 5 point average	$ 1,595,910 **	$ 1,629,475	$ 1,669,731
Return on equity	**3.8%**	**5.2%**	**6.3%**

* Utilized an assumed 37% effective tax rate for 2014 ($825 million DTA valuation allowance reversal recorded in the fourth quarter)

** Used year-end stockholders' equity for the 2014 calculation due to the fourth quarter DTA valuation allowance reversal

Reconciliation of Non-GAAP Financial Measures

	2014	2015	2016	LTM Q3 2017
Housing Gross Profit Margin				
Housing gross profit margin – as reported	18.1%	16.3%	16.2%	15.8%
Add: Housing inventory-related charges	0.6	0.3	0.4	0.5
Housing gross profit margin excluding inventory-related charges	18.7	16.6	16.6	16.3
Add: Amortization of previously capitalized interest	3.8	4.4	4.5	4.8
Housing gross profit margin – as adjusted	22.5%	21.0%	21.1%	21.1%
Homebuilding Operating Income Margin				
Homebuilding operating income margin – as reported	4.9%	4.6%	4.3%	5.0%
Add: Homebuilding inventory-related charges	1.6	0.3	1.4	1.3
Homebuilding operating income margin excluding inventory-related charges	6.5%	4.9%	5.7%	6.3%

The Company believes these non-GAAP financial measures, which assist management in making certain strategic decisions, are relevant and useful to investors in understanding its operations and in providing meaningful period-to-period comparisons, and may be helpful in comparing the Company with other homebuilding companies to the extent they provide similar information.

Reconciliation of Non-GAAP Financial Measures (Continued)

($ in thousands)

	November 30, 2014	November 30, 2015	November 30, 2016	August 31, 2017
Ratio of Debt to Capital				
Notes payable	$ 2,550,622	$ 2,601,754	$ 2,640,149	$ 2,502,379
Stockholders' equity	1,595,910	1,690,834	1,723,145	1,840,942
Total capital	$ 4,146,532	$ 4,292,588	$ 4,363,294	$ 4,343,321
Ratio of debt to capital	61.5%	60.6%	60.5%	57.6%
Ratio of Net Debt to Capital				
Notes payable	$ 2,550,622	$ 2,601,754	$ 2,640,149	$ 2,502,379
Less: Cash and cash equivalents and restricted cash	(383,601)	(568,386)	(592,086)	(494,053)
Net debt	2,167,021	2,033,368	2,048,063	2,008,326
Stockholders' equity	1,595,910	1,690,834	1,723,145	1,840,942
Total capital	$ 3,762,931	$ 3,724,202	$ 3,771,208	$ 3,849,268
Ratio of net debt to capital	57.6%	54.6%	54.3%	52.2%

The Company believes these non-GAAP financial measures, which assist management in making certain decisions, are relevant and useful to investors in understanding its operations and in providing meaningful period-to-period comparisons, and may be helpful in comparing the Company with other homebuilding companies to the extent they provide similar information.

Reconciliation of Non-GAAP Financial Measures (Continued)

($ in thousands, except per unit amounts)

	2016	LTM Q3 2017
Deliveries	9,829	10,629
Housing revenues	$ 3,575,548	$ 4,129,396
Housing construction and land costs	(2,997,073)	(3,478,029)
Add: Impairments and abandonments	16,152	23,659
Adjusted housing construction and land costs	(2,980,921)	(3,454,370)
S, G & A expenses	(389,441)	(415,456)
Adjusted housing operating income	$ 205,186	$ 259,570
Adjusted housing operating income per unit	$ 20,876	$ 24,421

The Company believes these non-GAAP financial measures, which assist management in making certain decisions, are relevant and useful to investors in understanding its operations and in providing meaningful period-to-period comparisons, and may be helpful in comparing the Company with other homebuilding companies to the extent they provide similar information.

Deferred Tax Asset Value and Protection

- At August 31, 2017, KB Home had net deferred tax assets (DTA) of approximately $683 million

- To support the realization of the DTA, KB Home has undertaken a number of steps to avoid experiencing an “ownership change” under federal tax laws

- The primary protection is a Rights Agreement approved by stockholders in 2009. The Rights Agreement provides authority for the distribution of dilutive stock purchase rights in connection with an acquisition of 4.9% or more of KB Home’s outstanding common stock.

- At August 31, 2017, there were 86.5 million shares of common stock outstanding

- Beneficial owners of convertible senior notes are not permitted to convert convertible senior notes into shares of common stock above an aggregate 4.9% ownership position


KB HOME
60
SIXTY YEARS...
AND BUILDING