



# Business Strategy – KB2020

# Forward-Looking Statements

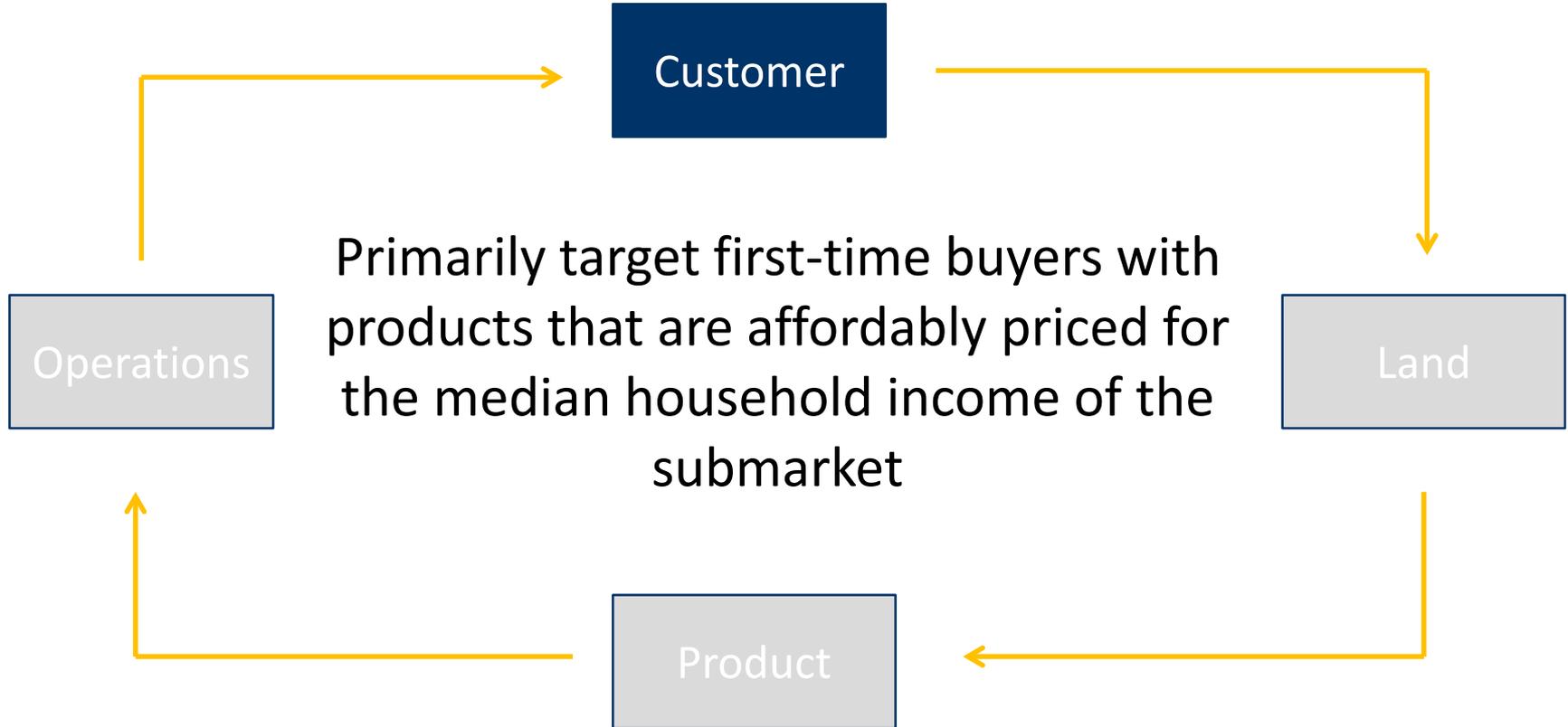


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# KB2020 – Our Core Business Strategy



# It Starts With the Customer



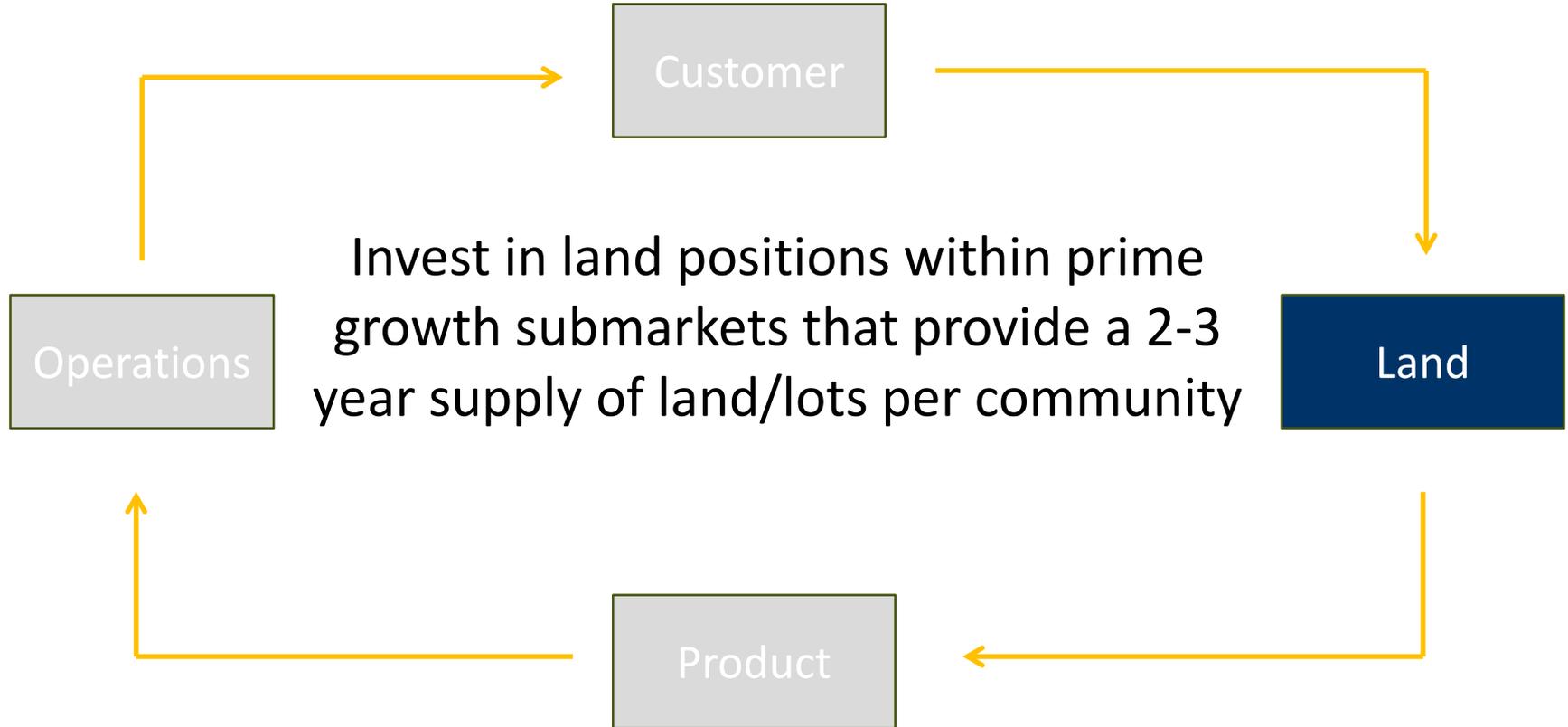
# Target Highest Demand Customers



Expertise in serving first-time buyers, averaging ~50% of our deliveries over past 5 years.

- Proprietary market research and customer surveys guide submarket and price point strategy and priorities
- Product positioning determined locally by Division President based on customer surveys and competitive market analysis
- Offer products that are affordably priced for the median household income of the submarket

# Investing in Land



# Focused Investment Approach

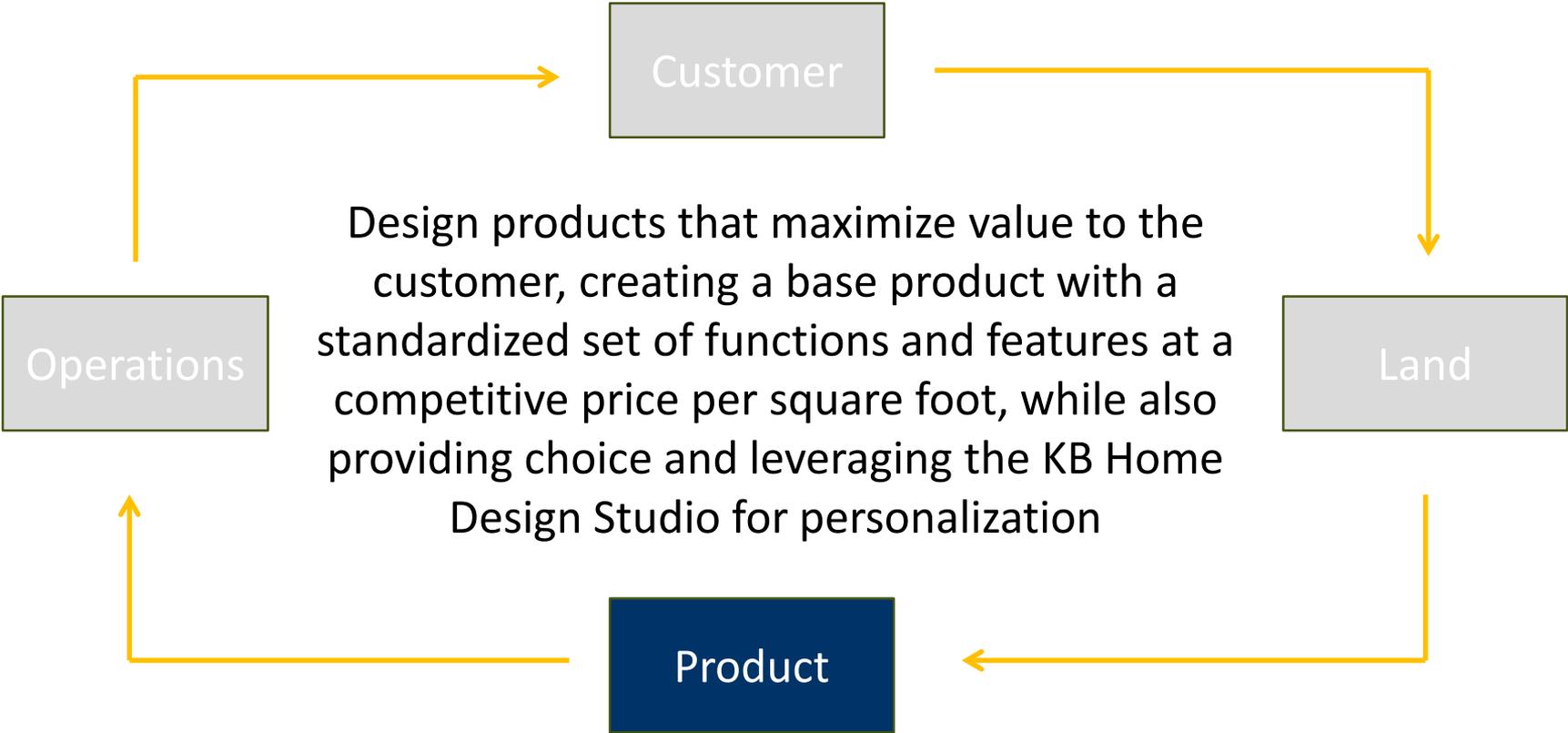
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Leverage proprietary market research, customer surveys and relationships to identify the ‘right’ parcels in terms of location, product, price point and deal structure.

- Focused primarily on expanding within existing geographic footprint – potential for significant upside
- Emphasize metro areas that have the potential to sustain a minimum of 800 deliveries
- Focus on individual assets generally offering a maximum of 2 product lines and 250-300 lots
- Evaluate investments in today’s dollars with a focus on returns

# Product Design & Customer Choice



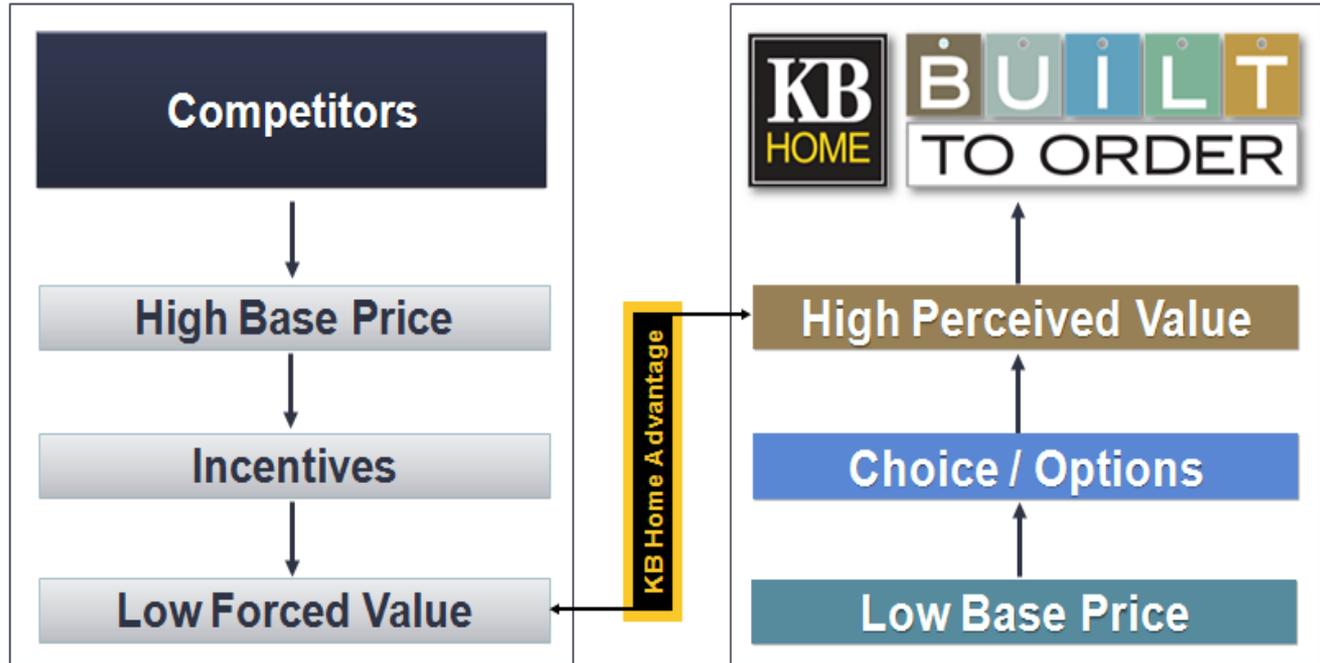
# Build the Home Customers Want



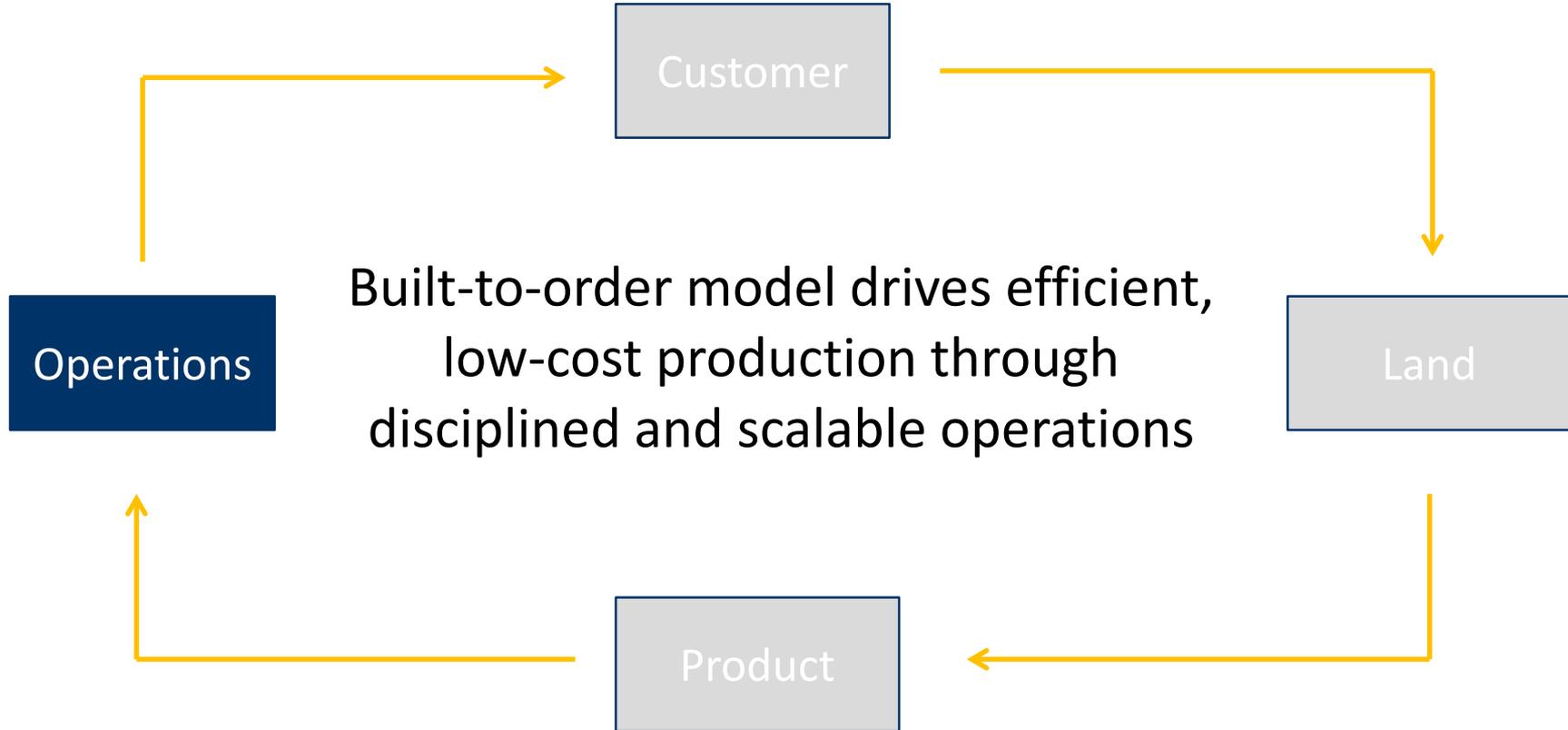
Customers select lot, floor plan, structural options and elevation; then personalize homes through the KB Home Design Studio.

- In-house architecture team integrates customer survey data in product design
  - Minimize costs while maintaining quality
  - Offer a home that meets or exceeds customers' value expectations
- Utilize standardized product series, which has multiple benefits
  - Lowers direct costs
  - Ability to open models faster
  - Informs us on pricing, cost and customer preferences
- Incorporate energy efficient features into product design to help lower the total cost of homeownership

# Our Competitive Advantage



# Operational Model



# Built-to-Order is Efficient & Predictable



Utilize single business model and share best practices to drive consistent and measurable execution on a daily basis.

- Standardized reporting Companywide provides visibility and clarity to execution, consistent employee training
- Significant advantages of built-to-order
  - Efficient 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
- Centralized scheduling and even-flow production enable leverage on overhead
  - Fewer superintendents needed to achieve delivery volume

# Customer Satisfaction



# 'Customer First' Focus



High-level customer experience through extensive communication from sale to delivery – and beyond.

- Infrastructure and process in place to deliver exceptional service
  - Alignment between Division President and entire team on customer satisfaction standards
  - Community Teams serve as leadership of each community, owning the home buying process together with the customer
  - Weekly contact with buyers on status of home
- All homes expected to be delivered 100% complete and on-time
- Customer satisfaction score is currently 93%; target is 95%

# Core Business Strategy Takeaways



Compelling strategy that can produce continued growth in our financial results and greater stockholder value.

- Key elements of strategy reflect disciplined and fact-based approach to offering the right locations, products and price to appeal to first-time buyers
- Significant upside opportunity in current footprint
- Focused effort on improving profitability per unit
  - Strike the optimal balance between pace and price
  - Contain direct costs and leverage SG&A on higher revenue base
  - Capture efficiency benefits from scale and standardized product series