



D.R. Horton Inc. (DHI)

Updated November 12th, 2023 by Quinn Mohammed

Key Metrics

Current Price:	\$123	5 Year CAGR Estimate:	8.3%	Market Cap:	\$40 B
Fair Value Price:	\$129	5 Year Growth Estimate:	6.2%	Ex-Dividend Date¹:	11/20/2023
% Fair Value:	95%	5 Year Valuation Multiple Estimate:	1.0%	Dividend Payment Date²:	11/28/2023
Dividend Yield:	1.0%	5 Year Price Target	\$175	Years Of Dividend Growth:	9
Dividend Risk Score:	C	Retirement Suitability Score:	F	Rating:	Hold

Overview & Current Events

D.R. Horton was founded in 1978 in Fort Worth, Texas. The company has been the largest homebuilder by volume since 2002. The company operates in 118 markets in 33 states across the U.S. The company's brand portfolio includes D.R. Horton (quality & value brand), Express Homes (first-time homebuyer), Freedom Homes (active adult) and Emerald Homes (luxury), which constructs and sells high-quality homes with sales prices ranging from \$150,000 to over \$1 million. The corporation also provides mortgage financing, title services and insurance agency services for homebuyers through their mortgage, title, and insurance subsidiaries. D.R. Horton trades on the NYSE under the ticker symbol DHI and boasts a \$40 billion market capitalization. In the trailing twelve months, D.R. Horton closed 82,917 homes.

On November 7th, 2023, the company announced a \$0.30 quarterly dividend, a 20% increase over the prior dividend.

D. R. Horton reported fourth quarter fiscal 2023 results on November 7th, 2023, for the period ending September 30th, 2023. Homebuilding revenue was down 6% year-over-year to \$8.8 billion. Net income decreased 6% to \$1.5 billion and net income per share decreased 4.7% to \$4.45 compared to \$4.67 in Q4 2022. Still, this significantly beat analysts' estimates by \$0.52.

Net sales orders increased 3% in the trailing twelve months, to 78,342 homes, and the value decreased 3% to \$29.5 billion. The corporation repurchased 3.5 million shares of common stock for \$423 million during Q4. Return on equity was 22.7% for the trailing twelve months.

Initial guidance for fiscal 2024 calls for revenue of \$36 billion to \$37 billion, cash flow from homebuilding operations of \$3 billion, and \$1.5 billion of share repurchases. D. R. Horton expects to close 86,000 to 89,000 homes.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.50	\$2.03	\$2.36	\$2.74	\$4.09	\$4.29	\$6.41	\$11.41	\$16.51	\$13.82	\$13.90	\$18.78
DPS	\$0.14	\$0.25	\$0.32	\$0.40	\$0.50	\$0.60	\$0.70	\$0.83	\$0.90	\$1.00	\$1.20	\$2.11
Shares³	364.6	368.7	372.9	375.0	376.3	368.4	364.0	356.0	347.0	347.0	340.0	315.0

D. R. Horton's earnings have grown consistently since 2011, once the company recovered from the financial crisis. The corporation has grown earnings by 28.0% on average per year over the last nine and five years. Rising interest rates have greatly impacted the demand for housing, and we believe the cyclical business reached its peak in fiscal 2022. Off a still impressive base of \$13.90 per share in fiscal 2024, we are estimating earnings per share growth to come in at roughly 6.2% per year over the next five years. Earnings could come in stronger if the housing boom continues, but interest rates have soared, negatively impacting home sales and values. The company has a large backlog of homes under contract, currently at 15,197 homes, but the value has decreased by 26% year-over-year to \$5.9 billion, and the cancellation rate was 21% in Q4 2023. The company's share count has grown over the long term, however since 2018 the company has made efforts to reduce its share count and we see this as another minor tailwind to earnings in the coming years. In

¹ Estimate

² Estimate

³ In millions

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fiscal 2023, DHI reduced its outstanding share count by 3%. A continued rise in interest rates will weigh heavily on the company's results, as the demand for homes and the average sale price is likely to drop.

The corporation's dividend has grown by 24% on average over the past nine years, and we estimate it will grow at around 12% in the next five years.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	14.4	13.0	12.9	11.8	11.0	9.7	8.6	7.7	5.5	7.3	8.8	9.3
Avg. Yld.	0.6%	0.9%	1.1%	1.2%	1.1%	1.4%	1.3%	0.9%	1.1%	0.9%	1.0%	1.2%

D.R. Horton's price-to-earnings multiple appears to be undervalued at 8.8 based on 2024 forecasted earnings, and we peg fair value at 9.3 times earnings. As a result, we see the potential for a small valuation tailwind. DHI yields 1.0% and we expect the yield to increase from here due to its impressive dividend growth.

Safety, Quality, Competitive Advantage, & Recession Resiliency

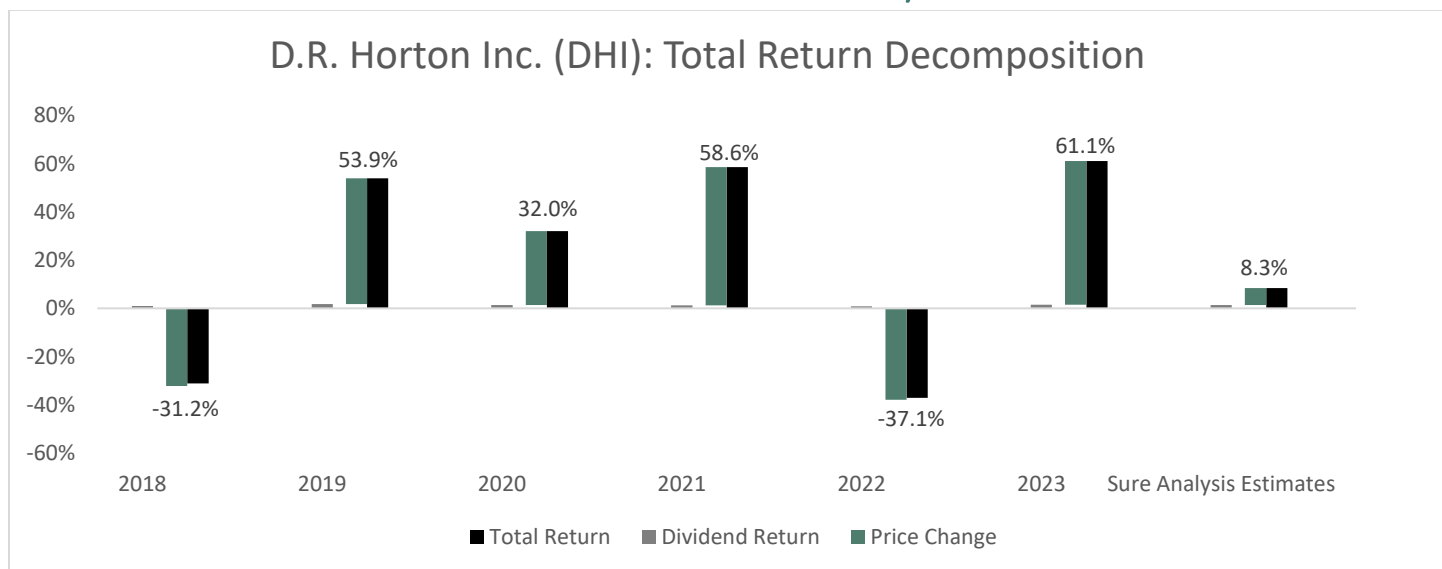
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	9%	12%	14%	15%	12%	14%	11%	7%	5%	7%	9%	11%

Today the payout ratio is quite low at only 9% of net income, and we estimate that the company has a long runway of dividend growth ahead of it. However, it must be noted that DHI faced many hardships in the Great Financial Crisis, which caused it to report losses from 2007 to 2009 and caused the dividend to be cut significantly. The company only eclipsed its 2005 per share earnings in 2020. This demonstrates that D.R. Horton is not recession resistant. Additionally, interest rates and housing demand can cause volatile earnings in a recession. DHI's competitive advantage lies in its industry leading position in homebuilding, which it has dominated since 2002.

Final Thoughts & Recommendation

D. R. Horton has been the US' largest homebuilder by volume for more than 20 years. Since the Great Financial Crisis, the corporation has compounded earnings and the dividend at strong double digits, and we see this continuing for the dividend. Shares of D.R. Horton earn a hold rating due to its expected 8.3% annualized total returns through 2029.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	8025	10824	12157	14091	16068	17593	20311	27774	33480	35460
Gross Profit	1756	2288	2655	3048	3670	3872	4938	7875	10504	9350
Gross Margin	21.9%	21.1%	21.8%	21.6%	22.8%	22.0%	24.3%	28.4%	31.4%	26.4%
SG&A Exp.	965	1186	1320	1472	1677	1833	2048	2556	2934	3249
D&A Exp.	38	54	61	55	62	72	80	74	81	92
Operating Profit	791	1102	1335	1577	1993	2040	2890	5319	7570	6102
Operating Margin	9.9%	10.2%	11.0%	11.2%	12.4%	11.6%	14.2%	19.2%	22.6%	17.2%
Net Profit	534	751	886	1038	1460	1619	2374	4176	5858	4746
Net Margin	6.6%	6.9%	7.3%	7.4%	9.1%	9.2%	11.7%	15.0%	17.5%	13.4%
Free Cash Flow	-762	644	546	283	407	668	1135	267	414	4156
Income Tax	281	373	467	564	598	507	603	1165	1734	1520

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	10185	11151	11559	12185	14115	15607	18912	24016	30351	32580
Cash & Equivalents	662	1384	1303	1008	1473	1494	3019	3210	2541	3874
Inventories	7701	7807	8341	9237	10395	11282	12237	16479	21656	22370
Goodwill & Int. Ass.	95	87	80	80	109	164	181	164	174	164
Total Liabilities	5066	5256	4766	4437	4956	5312	6791	8800	10566	9444
Accounts Payable	525	517	578	580	625	634	901	1177	1360	1246
Long-Term Debt	3666	3812	3271	2872	3204	3399	4283	5412	6067	5094
Shareholder's Equity	5116	5894	6793	7747	8984	10021	11840	14887	19396	22700
D/E Ratio	0.72	0.65	0.48	0.37	0.36	0.34	0.36	0.36	0.31	0.22

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.6%	7.0%	7.8%	8.7%	11.1%	10.9%	13.8%	19.5%	21.5%	15.1%
Return on Equity	11.6%	13.6%	14.0%	14.3%	17.5%	17.0%	21.7%	31.2%	34.2%	22.6%
ROIC	6.5%	8.1%	9.0%	10.0%	12.7%	12.4%	15.8%	22.6%	25.2%	17.6%
Shares Out.	364.6	368.7	372.9	375.0	376.3	368.4	364.0	356.0	354.8	343.3
Revenue/Share	21.89	29.27	32.41	37.19	41.91	46.62	54.87	75.93	94.36	103.3
FCF/Share	-2.08	1.74	1.46	0.75	1.06	1.77	3.07	0.73	1.17	12.10

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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