WESTPEAK RESEARCH ASSOCIATION

Dream Finders Homes (NYSE: DFH)

Consumer Cyclical – Residential Construction

Dreamy Buying Opportunity

January 25, 2025

Dream Finders Homes (NYSE: DFH) is a U.S. homebuilder based in Jacksonville, Florida. DFH was ranked 14 in total U.S. homes closed in 2023, growing at an industry-leading 76% CAGR since its inception. DFH operates in Southern markets, focusing on affordable housing through an asset-light strategy, where land is not recorded in the balance sheet, reducing the exposure to the risk of holding land.

Industry Overview

Rising input costs, labour shortages, and institutional investors have fueled a housing deficit of 4.5 – 6.5 million units, worsening affordability challenges. While demand remains strong, major builders restrict land availability to keep prices high. As a result, few can afford homes despite demand, leading to record levels of unsold inventory. Analysts are concerned that this imbalance could push homebuilders into a distressed state.

Thesis

While analysts are concerned over headwinds in the housing market, DFH's asset-light model protects against downturns, which leads it to maintaining high inventory turnover, ROE, and resilient profitability, outperforming asset-heavy homebuilders. Moreover, DFH’s focus on affordable housing in growing Southern markets aligns with migration trends, while a track record of acquiring distressed companies shows DFH's ability to turn market challenges into growth opportunities.

Valuation

We recommend a BUY rating for Dream Finders Homes with a target price of $28.50, representing an upside of 19.1%. Our valuation is based on a Perpetuity Growth DCF method weighting of 35%, an Exit Multiple DCF method weighting of 15%, and equal weightings of 25% each for P/E and EV/EBITDA multiple from our Comparable Company Analysis.

Analyst: Samuel Kim, BCom. ‘27
contact@westpeakresearch.com

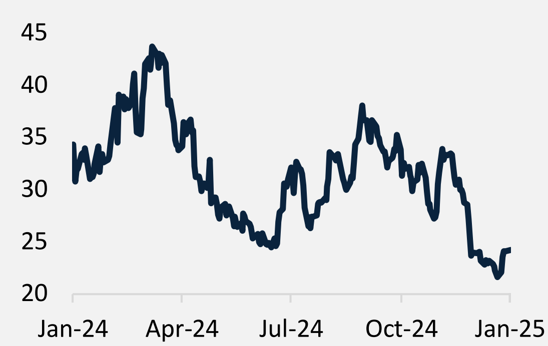
Equity Research	US
Price Target	**USD$ 28.50**
Rating	Buy
Share Price (Jan. 23 Close)	USD$ 23.92
Total Return	19.1%

Key Statistics	
52 Week H/L	$44.38/$21.43
Market Capitalization	$2.02B
Average Daily Trading Volume	645K
Net Debt	$1.27B
Enterprise Value	$3.47B
Net Debt/EBITDA	2.9x
Diluted Shares Outstanding	$34.3M
Free Float	76.76%

Analyst Forecast

	2023A	2024E	2025E
Revenue	$3.75B	$4.16B	$4.62B
EBITDA	$410M	$468M	$520M
Net Income	$308M	$350M	$388M
EPS	$2.79	$3.27	$3.36
P/E	8.6x	7.3x	7.1x
EV/EBITDA	9.9x	7.1x	6.9x

1-Year Price Performance



Company Overview

Introduction

Dream Finders Homes, founded in 2008 and based in Jacksonville, Florida, is an American homebuilder employing an asset-light lot acquisition model. It designs, builds, and sells homes in high-growth markets, catering to a wide range of clients, from first-time to luxury buyers, with a particular focus on entry-level to move-up customers. Dream Finders Homes also provides mortgage financing and title insurance through its subsidiary, Jet Home Loans, allowing for earlier buyer pre-qualification and an integrated home-buying experience. From its inception in 2008, Dream Finders Homes has grown from closing 27 units to over 31,000 units in 2023, making it one of the fastest-growing homebuilders in the United States. They are listed on the New York Stock Exchange under the ticker DFH.

Corporate Strategy

Aggressive Scaling

Residential homebuilders fall into three categories: tract, spec, and custom. Tract builders purchase large parcels of land to develop suburbs and communities, spec builders acquire smaller plots without a specific buyer, and custom builders follow unique buyer specifications. While the largest American homebuilders concentrate on tract buildings (neighbourhoods/communities) using an asset-heavy strategy, DFH is rapidly growing using an asset-light strategy with a strong focus on affordability while operating under the custom and spec homebuilding model. Expected to close 8,250 homes in 2024, DFH has an extremely impressive CAGR relative to other competitors operating for decades.

Company	Founded	Years in Operation	Homes Closed 2024	CAGR
DFH	2008	16	8,250	76%
LGI Homes	2003	21	6,729	52%
Meritage Homes	1985	39	15,317	28%
MI Homes	1976	48	9,000	21%
Taylor Morrison	1921	103	12,725	10%

Source: Builder Magazine

Dream Finders Homes has been one of the fastest-growing homebuilders in the US since its inception, ranked 14 in US home closings in just 17 years of operation, while its higher-ranked competitors have taken an average of 54 years to get their current market positions. This rapid growth is attributed to strategic lot deposits and acquisitions in emerging housing markets. DFH has executed an aggressive acquisition strategy since 2019, establishing a presence in nine high-growth markets. Through strategic purchases of Village Park Homes (2019), H&H Homes (2020), McGuyer Homebuilders Inc., and

Crescent Venture (2020-2024), the company now operates in states that significantly outperform national averages in critical metrics: population growth, job creation, and home price appreciation. These markets, spanning Florida, Colorado, Georgia, Maryland, the Carolinas, Tennessee, Texas, and Virginia, account for 77% of all US migration.

Asset-light Strategy:

DFH uses an asset-light model by placing a deposit to secure a lot while keeping the option to forgo the purchase if conditions change. This ability to forgo reduces exposure to market downturns and enhances operational flexibility as homebuilders can quickly adjust their scaling in response to demand without significant investments. NVR, a pioneer of the asset-light model since 1980, exemplifies the benefits of this approach, as it remained the only homebuilder profitable during the 2008 financial crisis. Homebuilders are increasingly adopting this model while blending it with an asset-heavy approach. DFH and NVR are the only public US homebuilders operating under a 100% asset-light model.

Affordability:

The US housing market faces an estimated 4.5 to 6.5 million home shortage, a problem that has persisted since the 2008 financial crisis. The situation intensifies as mortgage rates reach 7%, a 20-year high, just as millennials, America's largest demographic group, enter their prime home-buying years. DFH bridges this market gap by penetrating markets with high population and job growth, as well as providing entry-level homes at affordable prices. Their current home-selling strategy focuses on delivering affordable, quick move-in homes whilst providing sales incentives to reduce monthly mortgage payments and closing costs for homebuyers. We can see the success of this product-market fit as DFH faces a backlog of approximately 4000 homes as of September 30, 2024, combined with an industry-leading CAGR of 76% of home closing in just 16 years.

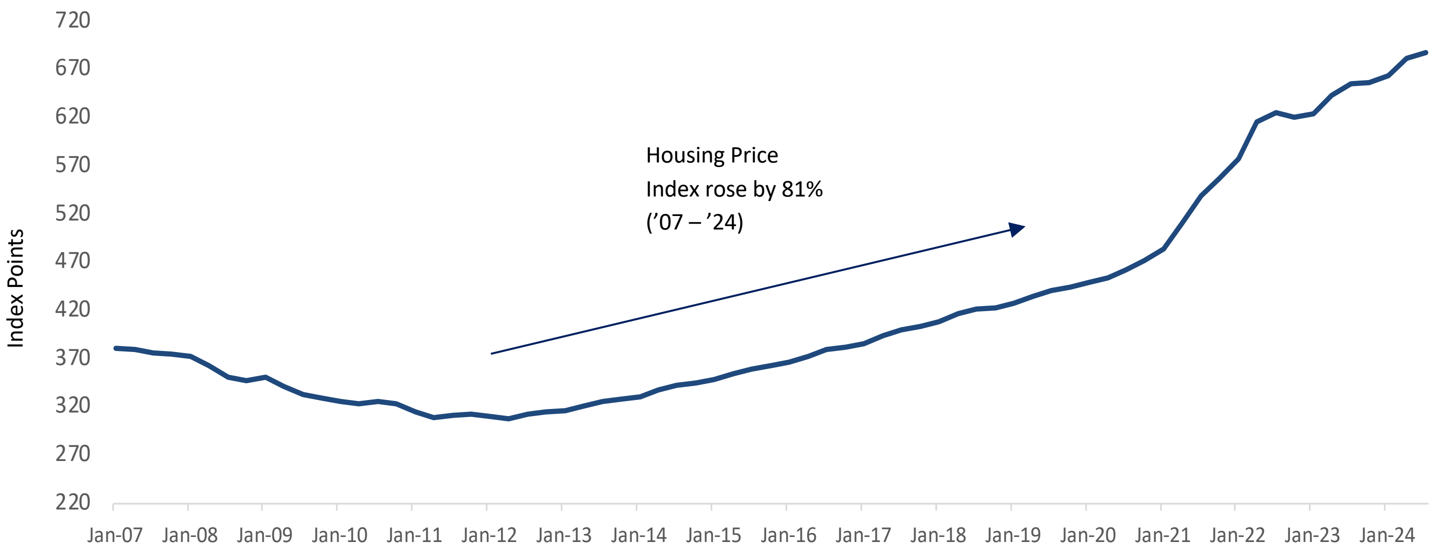
Industry Analysis

Homebuilding Supply:

With the 2008 financial crisis, the number of active residential builders in the United States fell dramatically, from 98,067 in 2007 to 48,557 in 2012. From 2012 to 2024, the number of resident homebuilders rose by 63,600, but the shortage of homes remains persistent, with estimates being between 4.5 and 6.5 million homes short of the desired supply. The construction industry faces supply constraints, including needing an estimated 450,000 new construction workers to meet demand, a 38.7% rise in input costs since pre-pandemic levels, and higher interest rates, which increase borrowing costs. Additionally, with potential deportation plans from Trump, analysts estimate that labour shortages in construction could worsen, further exacerbating supply challenges for homebuilders. Institutional real estate investors have also been investing in sizable amounts of properties, taking the pool of available homes from households. Miami, Cleveland, and San Francisco homes are owned by institutional investors in shares of 30.6%, 24.6%, and 23.4% in the metro areas, respectively. These supply constraints, in confluence with the limited pool of homes available, have contributed to an increase in home prices that are nearly 6 times the median income of US citizens.

U.S. All-Transactions House Price Index

2007-2024



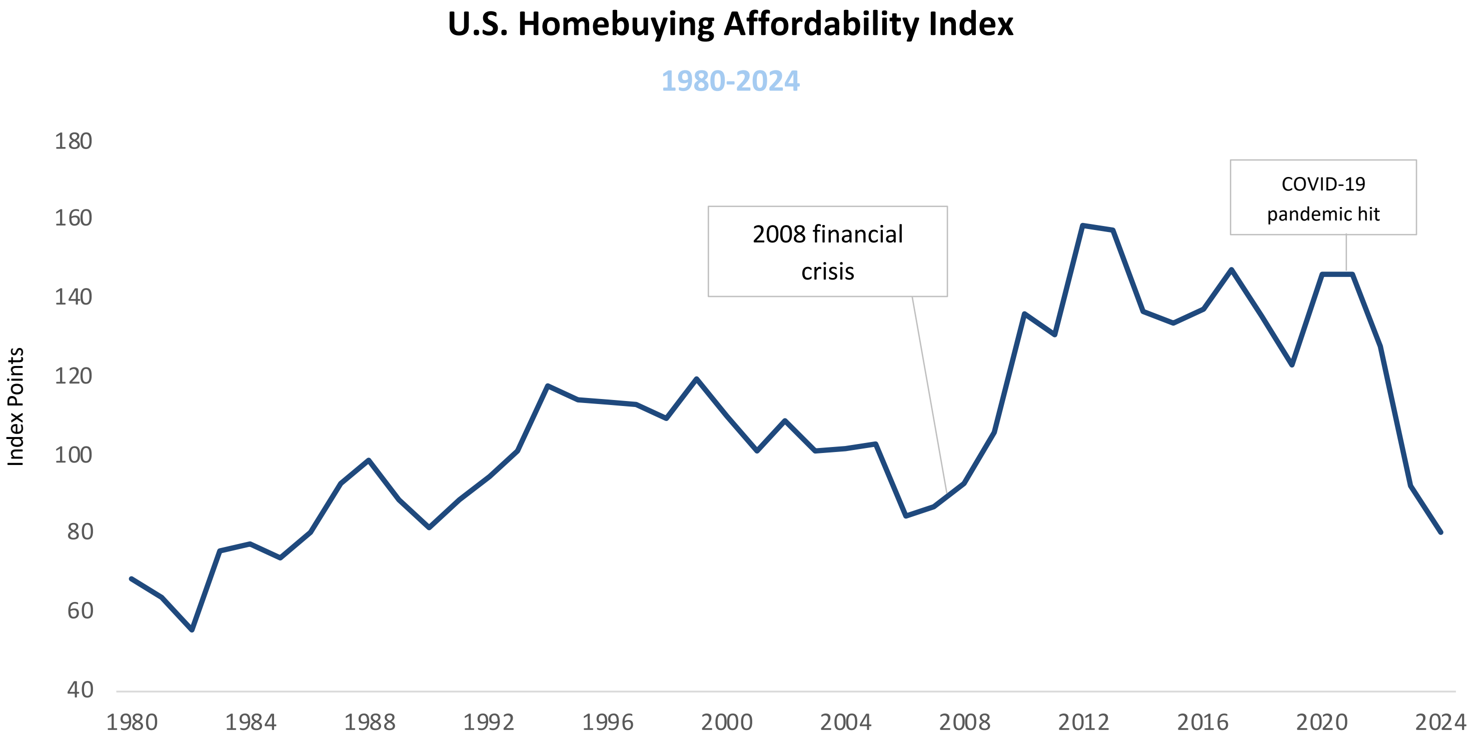
Source: U.S. Federal Housing Finance Agency

Housing Demand:

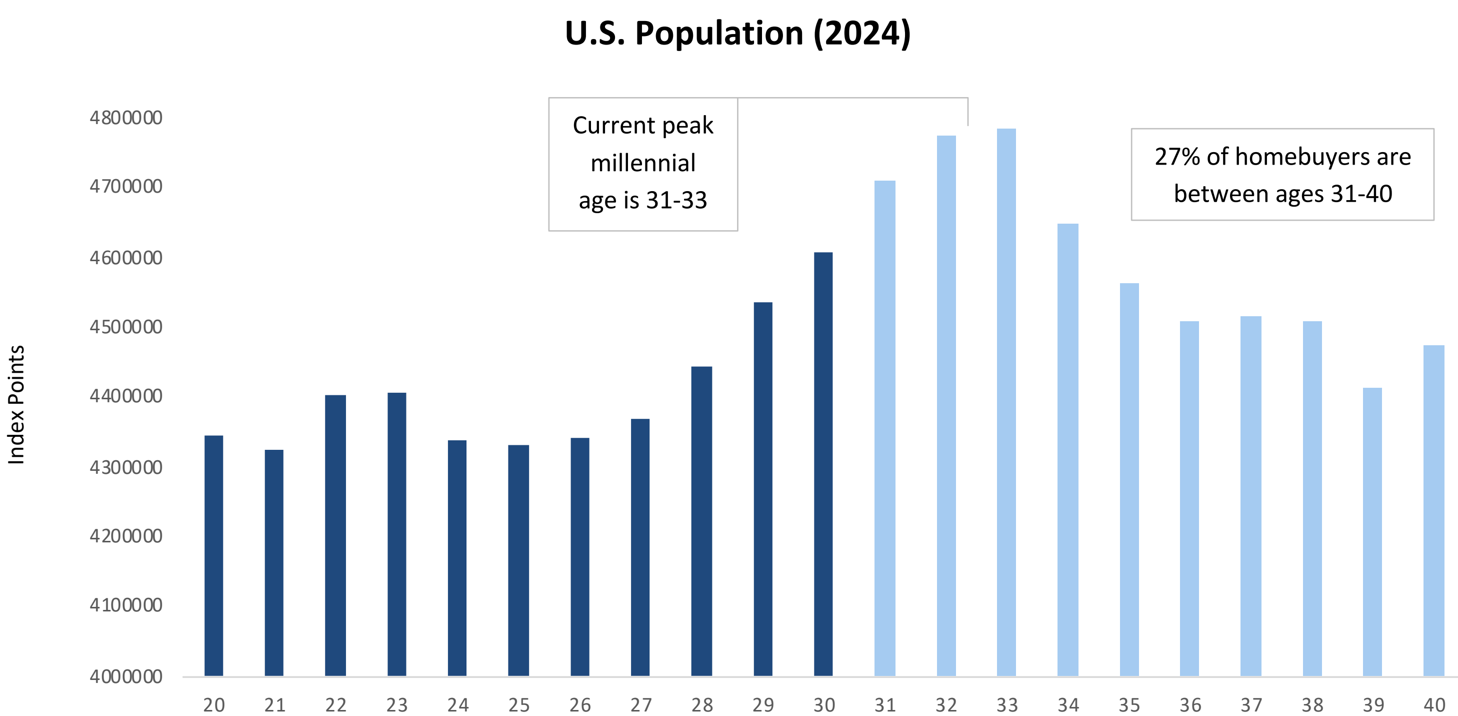
Demand is primarily attributed to an increasing number of households in the US. Despite the rising home prices, demand has stayed strong, primarily attributed to the largest generation of homebuyers, millennials. The country's most populous generation has entered the prime homebuying age, driving increased demand for starter and first-move-up homes and entering a strong runway of demand. Secondly, net immigration has remained strong, with a 0.49% increase in 2022-2023 compared to a 0.16% increase in 2021-2022. While immigration patterns and millennial demographics drive rising housing demand, the market's primary challenge is not total housing stock but the availability of attainable housing units. Industry experts emphasize a fundamental disparity between existing home prices and household purchasing power, with the demand for affordable housing emerging as one of the most critical challenges since COVID.

Despite the underlying demand for affordable housing, new home sales have notably declined in recent years. This drop reflects the growing gap between demand and the affordability of new homes, as buyers increasingly struggle to secure financing and compete in a market where affordability levels have reached lows not seen in the last 20 years.

DFH has strategically positioned itself in today's housing market by focusing on affordability. This approach has proven successful. Its Wilmington division, for example, doubled its closings in the first year of being in the Wilmington market by focusing on affordable solutions to a traditionally expensive area. Moreover, DFH's affiliate, DF Capital Management, in 2023, secured $40 million in funding dedicated to affordable entry-level homes, reflecting strong investor confidence in DFH's strategy. This combination of proven product-market fit and strong financial backing indicates that DFH has found an effective positioning in the current market, where affordability is a key driver of demand.



Source: National Association of Realtors



Source: U.S. Census Beureau and 2023 NAR Home Buyer/Seller Generational Trend Report

Fragmentation and Competitors:

Nationally, over 400,000 small-scale builders exist, contributing to a fragmented market; however, the concentration of dominating homebuilders has been rising in metropolitan areas. For example, in Annapolis, Maryland, the Craftmark Group increased its market share from 3% (2005–2007) to 43% (2014–2016), while in Centreville, Virginia, Technical Olympic built 47% of new housing from 2005 to 2016. This concentration reduces housing supply as dominant firms strategically limit construction to maintain high prices, resulting in average annual home price increases of 6–8% in concentrated regions compared to 3–4% in more competitive markets. Price volatility is also higher, with 12–15% swings in concentrated areas, making affordability unpredictable. Conversely, fragmented markets within suburbs and rural regions promote competition, encouraging smaller private builders to innovate and cater to diverse needs, contributing to housing stock expansion and price stability. The implication for DFH is that unique competition and market dyanamics are prevalent within each regional market. However, DFH has effectively navigated these markets by acquiring local builders that match each region's specific needs, ensuring an appropriate product-market fit. The following table compares key financial and operational metrics between DFH and its comparable companies to further assess competitive positioning.

Key Financial and Operational Metrics: DFH vs. Comparables

Metric	DFH	Comps Average	Importance
Backlog of Homes (USD)	$2B	$1.4B	Indicative of product-market fit and safety of relatively secure revenue. Provides a buffer against market volatility.
Inventory Turnover	1.8x	1.2x	Measures how efficiently the company converts inventory (homes under construction) into sales, reflecting operational agility and responsiveness to market demand. High inventory turnover supports strong cash flow and growth by reducing the need for price cuts and excess inventory.
Return on Equity	30.44%	17.90%	High ROE demonstrates efficient use of capital, reflecting operational resilience and adaptability in cyclical markets, particularly during downturns.
2021-2024 Annual Avg. Profit Margin Change (%)	1.45	1.01	The pandemic (2020-2021) helped home prices rise ~20%. Home prices and sales have decreased from 2021. Seeing profit margin changes from 2021-2024 provides insight into how homebuilders have navigated shifting market conditions post-pandemic.

Investment Theses

Asset-light Bringing Heavy Results

The market underestimates the significant benefits and protective advantages of DFH's asset-light strategy, as evidenced by the dramatic decline in its share price amid analysts' predictions of headwinds in the housing market. This reaction highlights a misunderstanding of how DFH's asset-light model positions it to navigate potentially challenging market conditions more resiliently than its asset-heavy peers. Firstly, analysts are concerned about rising unsold inventory in the housing market, which reached 113,000 homes in October 2024, the highest since August 2009. Analysts suggest that this highlights a supply-demand imbalance, ultimately driven by unaffordable housing prices and climbing mortgage rates which signals a market slowdown. A market slowdown poses significant risks to traditional asset-heavy homebuilders, who face pressure to sell existing inventory at discounted prices and bear the cost of holding unsold land. In contrast, DFH's asset-light model allows it to avoid this capital burden, as it only purchases land with a confirmed home buyer. This approach minimizes DFH's exposure to speculative land risks, making it far less vulnerable to market downturns than asset-heavy homebuilders.

Even during a housing market downturn, DFH is well-positioned, with approximately $2 billion worth of home backlogs expected to be completed in 2025. In FY2023, DFH's revenue was $3.74 billion, meaning that its $2 billion backlog represents a significant portion of its annual revenue. The asset-light model not only brings safety in market downturn scenarios but also operational efficiencies that benefit investors. Despite being 16 times smaller than industry leaders like Lennar and D.R. Horton, DFH demonstrates excellent inventory turnover since asset-light models minimize inventory holdings. Moreover, it safeguards profit margins by reducing the need for price cuts to clear excess inventory, a challenge Lennar and D.R. Horton face, with 5–6% declines in gross profit margins from 2022–2024, while DFH saw a 2% increase during the same period.

Another benefit that the asset-light model presents is high ROE. At the end of 2023, Dream Finders Homes reported a 30.44% ROE, surpassing Lennar's 16.97% and D.R. Horton's 20.72%, though below NVR's 43.46%. Further, DFH and NVR, leveraging 100% asset-light models, have remained profitable since their inception, demonstrating resilience even during challenging periods like the 2008 financial crisis. As DFH continues to scale and optimize its operations, it can raise its ROE to comparable levels to NVR.

While investors are concerned about the state of the housing market in the coming years, investors are underestimating DFH's inherent strengths from the asset-light model. Although DFH is not entirely immune to real estate market downturns and would be impacted by decreasing demand relative to previous years, the market has overreacted by failing to consider how its asset-light strategy partially shields the company from these challenges. DFH is strategically positioned to weather potential headwinds in the housing market and grow through its operational efficiencies, such as excellent inventory turnovers and great ROE rewards for investors.

Samuel Kim | contact@westpeakresearch.com

Effective Market Positioning

Through strategic acquisitions and organic growth, Dream Finders Homes has effectively positioned itself in the U.S. housing market, particularly in the high-growth southern states. These regions, which account for 77% of total U.S. migration, are experiencing strong population growth, home price appreciation, and job creation—key drivers of U.S. migration. DFH's focus on these markets aligns with macroeconomic trends, enabling it to capture demand from relocating Americans seeking affordable housing options.

By targeting entry-level homes tailored to relocating families, DFH has a strong product-market fit. Additionally, the company leverages its in-house mortgage services, offering competitive financing options that not only make homeownership more accessible but also strengthen customer loyalty and demand for its offerings. While other homebuilders also provide financing services, DFH's ability to integrate this offering with its affordable product line creates a cohesive strategy that resonates particularly well with its target demographic.

Despite this, the market underestimates DFH's competitive positioning in high-growth regions. While the street acknowledges the housing migration trend, it may overlook DFH's ability to scale efficiently in these markets due to its asset-light model, which enables it to expand without the capital constraints faced by its asset-heavy competitors. This operational flexibility positions DFH to consolidate its presence further through acquisitions, potentially gaining pricing power and increasing its market share.

Furthermore, there is a significant opportunity for acquisitions, a strategy in which DFH has already demonstrated success. Recent data indicates a buildup of unsold housing inventory in these southern markets. For example, in November 2024, active listings reached their highest level since 2020, with over 54.5% of home listings remaining on the market for at least 60 days, the highest share recorded for any November since 2019. This trend is particularly pronounced in states like Florida and Texas, where cities such as Miami and Austin have significant shares of unsold listings.

The accumulation of unsold inventory presents challenges for more minor, asset-heavy homebuilders, who may face financial strain due to prolonged holding costs and reduced liquidity. Consequently, these builders might consider selling their assets or exiting the market. DFH, with its asset-light model and strong financial position, is well-equipped to capitalize on such opportunities. By acquiring these distressed assets or companies, DFH can expand its market presence, achieve economies of scale, and enhance its competitive advantage, solidifying its position as a high-growth southern housing market leader.

The success of this strategy is evident in its growing backlog of homes. As of September 2024, DFH reported 3,996 backlogged homes valued at $2.0 billion, reflecting sustained product demand. By operating in high-growth states and aligning its product offerings and financing solutions with migration-driven demand, DFH is positioned to scale and outcompete less agile rivals in these lucrative markets. This, combined with its ability to acquire and consolidate in these regions strategically, highlights why the market may be underestimating DFH's long-term potential.

Samuel Kim | contact@westpeakresearch.com

Valuation

Intrinsic Valuation

Revenue Projections:

Due to market sentiment and analyst forecasts for a challenging housing market, the valuation incorporates conservative estimates for DFH's revenue. Following the acquisition of Crescent Ventures in February 2024, which expanded DFH's presence into the high-growth Nashville market, we anticipate strong organic growth driven by strong migration trends and rising income levels in the region. DFH's announcement of executing its $2 billion backlog in 2025 reflects a significant portion of its annual revenue, demonstrating sustained demand for its offerings even in a market slowdown.

We conservatively project 11% annual revenue growth for 2024 and 2025, accounting for a cautious outlook as analysts predict a 1–3% decline in new home sales through 2026, driven by high 6–7% mortgage rates. However, DFH's performance during the 2020–2023 housing market correction, when new home sales fell 16% nationally, shows its resilience. During this period, DFH achieved revenue growth of 52.3%, 69.7%, and 73.7%, demonstrating its ability to outperform market trends. We had based future revenue projections from 2023 levels, as 2023 marked the first year in the past five years from 2023, where revenue was not inflated by acquisitions, providing a more accurate baseline for forecasting. The revenue forecast reflects DFH's strong positioning in high-demand markets and ability to navigate industry headwinds while maintaining revenue growth.

Gross Margin:

Over the past 16 years, Dream Finders Homes has strategically expanded into high-growth markets through aggressive scaling efforts. According to CEO Patrick O. Zalupski, this growth strategy has been partly driven by the Company's ability to capitalize on economies of scale—a crucial advantage for home builders. Economies of scale allow DFH to lower per-unit costs through bulk purchasing of materials, standardized construction processes, and more efficient resource allocation, thereby enhancing profit margins as the Company grows.

We have conservatively estimated DFH's gross margin to remain slightly below its 2023 level of 19% through 2026. This projection accounts for anticipated short-term challenges in 2025, including inflationary pressures and market volatility. However, beginning in 2026, we expect gross margins to improve as market conditions stabilize, DFH to resume its aggressive growth strategy, and the Company begins recognizing the contribution of the 6,200 lots acquired through Crescent Homes in late 2025 or early 2026.

SG&A as % of Revenue

Historically, SG&A expenses for DFH have consistently ranged between 8-8.35% of revenue, showing a slight proportional increase as revenue grows. Given our conservative forecast of a decline in revenue from 2023 levels, we have decided to conservatively estimate SG&A based on 2023 levels. This approach accounts for potential fixed costs that may not scale down directly with revenue.

Restricted Cash:

Restricted cash is broken down into escrow deposits for anticipated closing expenses, property taxes, and other settlement charges that are executed as part of the transaction process. Ultimately, restricted cash follows the volume of home sales and transaction activity, closely tied to revenue. This is why we have forecasted it as a percentage of revenue at around 1%, reflecting its proportional relationship to DFH's sales operations.

WACC:

DFH's weighted average cost of capital of 13.6% was calculated using a cost of equity of 18.11% and the taxaffected cost of debt of 6.5%. To find the cost of equity, the risk-free rate based off of the 10-Year Treasury Constant Maturity Rate of 4.31% was used, a market premium of 7.16%, and a beta of 1.93. The cost of debt was based on the corporate tax rate of 21% and the debt financing interest rate of 8.25%

Perpetuity Growth Rate:

DFH's perpetuity growth rate is 2.50%, reflecting the median long-term U.S. GDP growth forecast. This assumption aligns with the strong correlation between the housing market and overall economic health, as macroeconomic conditions heavily influence homebuying activity. Additionally, given the ongoing housing shortage in the U.S. and DFH's strategic positioning to address the affordability gap, a 2.50% perpetuity growth rate accurately reflects DFH's long runway in the housing market.

Relative Valuation

Comparable Company Analysis:

The home builders selected for the comparable companies' analysis share similarities with DFH regarding enterprise value, operational scale, and market focus. These companies primarily target high-growth southern U.S. markets, such as Florida, Texas, and the Carolinas, which align closely with DFH's strategic emphasis. Additionally, the selected companies have closed a similar number of homes in 2023 to DFH, representing comparable levels of operational activity. Although NVR was mentioned in the report, its market capitalization is roughly 10 times larger than DFH's, making it an outlier for direct comparison; however, it remains a useful benchmark for DFH's future potential.

Tri Pointe Homes Inc. (NYSE: TPH)

Tri Pointe Homes focuses on the sale of single-family homes in the US. The company operates in Arizona, California, Nevada Washington, Texas, and Northern Virginia.

Century Communities (NYSE: CCS)

Century Communities is a US home builder focused on single-family and detached homes. CCS operates in 11 states, with the majority of communities within the West with plans of moving more projects to the South.

 Samuel Kim | contact@westpeakresearch.com

M/I Homes (NYSE: MHO)

M/I Homes designs, constructs, and sells single-family homes, catering to first-time buyers, move-up buyers, and empty nesters.

Meritage Homes Corporation (NYSE: MTH)

Meritage Homes Corporation headquartered in Scottsdale, Arizona, is a U.S. home builder specializing in the design and construction of single-family homes.

KB Home (NYSE: KBH)

KB Home operates in 47 markets across the United States, including regions in California, Nevada, Arizona, Texas, and Florida.

Taylor Morrison Homes (NYSE: TMHC)

Taylor Morrison Home Corporation is a leading U.S. home builder operating in 12 states, with a significant presence in Texas, Florida, Arizona, and California.

Beazer Homes (NYSE: BZH)

Beazer Homes USA, Inc., headquartered in Atlanta, Georgia, is a home construction company operating in 13 states across the West, East, and Southeast regions of the United States.

Catalysts

Driving Growth Through Build-to-Rent (BTR) Opportunities

DFH is starting to actively engage in the BTR sector, with notable developments, including a highlighted initiative in 2022 and a BTR contract for 229 units in early 2024, reflecting their strategic focus on this growing market. The BTR sector has seen a significant influx of institutional capital, with investments reaching $45 billion in 2021. This trend is particularly pronounced in the southern United States, where institutional investors have been actively acquiring single-family rental homes, contributing to rising home prices and rents in the region. DFH is well-positioned to capitalize on this investment demand. By expanding its build-to-rent initiatives, DFH can attract institutional investors seeking to deploy capital in high-growth markets.

This approach provides DFH with predictable cash flows through pre-leased properties and aligns with institutional preferences for professionally managed, single-family rental communities. As DFH strengthens its BTR portfolio and expands into high-growth regions, it is well-positioned to capture long-term growth opportunities while maintaining resilience in the face of economic uncertainties. In the next 12-18 months, DFH's ability to align with key market drivers, such as institutional demand for rental properties and affordable single-family homes, sustains demand.

Samuel Kim | contact@westpeakresearch.com

Risks

Impact of Tariffs on Input Costs

The construction industry is susceptible to material costs and proposed tariffs on imported construction materials could exacerbate this issue. For instance, during President Trump's first term, tariffs on Canadian softwood lumber added nearly $9,000 to the cost of constructing a single-family home. If similar tariffs are reintroduced, DFH could experience increased input costs, potentially squeezing profit margins unless these costs are passed on to consumers, affecting housing affordability and demand.

Labour Shortages Due to Immigration Policies

The construction sector relies heavily on immigrant labour, with undocumented workers constituting a significant portion of the workforce. Mass deportations, as proposed by specific policies, could lead to severe labour shortages. This scarcity would likely drive up labour costs as companies compete for a dwindling pool of skilled workers, potentially delaying projects and increasing overall construction expenses. For DFH, such labour shortages could disrupt project timelines and elevate costs, impacting profitability and operational efficiency.

Rising Home Insurance Costs

Home insurance premiums have been rising rapidly across the U.S., driven by climate change and increased frequency of natural disasters. In some areas, premiums have risen by 34% between 2017 and 2023. Higher insurance costs can deter potential homebuyers, particularly in high-risk areas where DFH operates, potentially leading to decreased demand for new homes. This trend could impact DFH's sales and revenue, especially if prospective buyers are priced out of the market due to the combined burden of mortgage and insurance payments.

Recommendation

BUY

We recommend a buy rating for Dream Finders Homes with a target price of $28.50, representing an implied upside of 19.1%. Despite analyst forecasts of near-term headwinds in the housing market, we believe the market has not fully recognized the strengths of DFH's asset-light business model and its strategic positioning in high-growth, emerging housing markets. DFH's operational efficiencies, including economies of scale achieved through aggressive growth strategies and its industry-leading inventory turnover rates, position the company to capitalize on demand in the affordable housing segment. With its ability to efficiently fill the housing shortage gap, DFH is well-positioned to sustain its growth trajectory, making it an attractive investment opportunity at its current valuation. This valuation is based on a Perpetuity Growth DCF method of 35%, an Exit Multiple DCF method weighting of 15%, a P/E Implied Price method weighting of 25%, and a 25% weighting of the EV/EBITDA Implied Price Method.

The valuation assigns equal weighting between intrinsic and relative valuation methods, with a slightly higher emphasis on the Perpetuity Growth DCF method than the Exit Multiple DCF method. This preference is based on the strong correlation

 Samuel Kim | contact@westpeakresearch.com

between the perpetuity growth rate and the long-term U.S. GDP growth rate, providing a more stable and macroeconomically grounded measure for valuing Dream Finders Homes. However, including the comparable company analysis was equally important, as it allows for valuable market-based insights into how DFH is positioned relative to its peers regarding valuation multiples and market dynamics.

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Samuel Kim
Junior Analyst

WestPeak Research Association
contact@westpeakresearch.com

Appendix 1: Operating Model

Operating Model

	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28
All Figures in mm USD	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Revenue Analysis - Growth								
Revenue Growth								
Home Sales	1,923.9	3,342.3	3,748.6	4,160.9	4,618.6	5,179.8	5,809.1	6,515.0
Total Revenue Growth, %		**74%**	**12%**	**11%**	**11%**	**12%**	**12%**	**12%**
Schedules - PP&E and Intangible Schedule								
Beginning PP&E Balance			7.0	7.3	7.7	8.0	8.4	8.9
Less: Depreciation			(5)	(5)	(6)	(7)	(7)	(8)
Add: CapEx			5.1	5.7	6.3	7.0	7.9	8.9
Ending PP&E			**7**	**7.7**	**8.0**	**8.4**	**8.9**	**9.4**
Beginning Intangible Balance			20.3	24.1	27.9	31.7	35.5	39.3
Less: Ammortization			-6.3	(6)	(6)	(6)	(6)	(6)
Add: Additions			10.1	10.1	10.1	10.1	10.1	10.1
Ending Intangible Balance			**24**	27.9	31.7	35.5	39.3	43.1
Goodwill			172.2	172.2	172.2	172.2	172.2	172.2
Drivers								
CapEx as % of Revenue			0.14%	0.14%	0.14%	0.14%	0.14%	0.14%
Depreciation as % of CapEx			94%	94%	94%	94%	94%	94%
Schedules - Working Capital								
Working Capital Balances								
Accounts Receivables		43	31	34	38	43	48	54
Inventories		1,378	1,440	1,617	1,795	1,989	2,230	2,501
Lot Deposits		277	247	274	305	342	383	430
Other Assets		59	81	90	100	112	125	140
Total Non-Cash Current Assets		**1,758**	**1,799**	**2,016**	**2,237**	**2,484**	**2,786**	**3,125**
Accounts Payable		135	134	151	167	185	208	233
Accured Expenses		184	207	233	259	286	321	360
Customer Deposits		146	173	194	215	238	267	300
Construction Line of Credit		966	530	596	661	732	821	921
Total Non-Cash Current Liabilities		**1,431**	**1,044**	**1,173**	**1,302**	**1,442**	**1,617**	**1,814**
Net Working Capital		328	755	843	935	1,042	1,169	1,311
Changes in NWC			**427**	**88**	**93**	**107**	**127**	**142**
Drivers								
Days Sales Outstanding		5	3	3	3	3	3	3
Inventory Turnovers		2	2	2.1	2	2	2	2
Lot Deposits as % of Revenue		8%	7%	7%	7%	7%	7%	7%
Other Assets as % of Revenue		2%	2%	2%	2%	2%	2%	2%
Days Payable Outstanding		18	16	16	16	16	16	16
Accured Expenses as % of COGS		7%	7%	7%	7%	7%	7%	7%
Customer Deposits as % of COGS		5%	6%	6%	6%	6%	6%	6%
Construction Line of Credit as % of COGS		36%	18%	18%	18%	18%	18%	18%

Schedules - Equity

Shareholders' Equity								
Common Stock			0.9	0.9	0.9	0.9	0.9	0.9
Preferred Stock			148.5	148.5	148.5	148.5	148.5	148.5
Additional PIC			275.2	275.2	275.2	275.2	275.2	275.2
Retained Earnings			664.6	664.6	664.6	664.6	664.6	664.6
Treasury Stock			-	-	-	-	-	-
Accumlated other Comprehensive Income			-	-	-	-	-	-
Total Shareholders' Equity			**1089.3**	**1089.3**	**1089.3**	**1089.3**	**1089.3**	**1089.3**
Minority Interest			13.1	13.1	13.1	13.1	13.1	13.1
Total Equity			**1102.4**	**1352.8**	**1671.1**	**2079.5**	**2548.6**	**3086.0**

Margin Analysis

Gross Margin, % of Revenue	17%	19%	20%	19%	19%	20%	20%	20%
COGS, % of Revenue	**83.4%**	**81.1%**	**80.1%**	**81.0%**	**81.0%**	**80.0%**	**80.0%**	**80.0%**
SG&A, % Revenue, %	8.0%	8.1%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%
Growth Unconsolidated Entities, %		71.0%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%
Effective Tax Rate %	16.9%	23.0%	23.9%	23.9%	23.9%	23.9%	23.9%	23.9%
EBITDA, % of Revenue	**8.7%**	**10.9%**	**10.9%**	**11.2%**	**11.3%**	**12.3%**	**12.3%**	**12.3%**
Restricted Cash, % of Revenue		**1%**	**1%**	**1%**	**1%**	**1%**	**1%**	**1%**

Appendix 2: Model Summary

Income Statement								
Revenue	1,924	3,342	3,749	4,161	4,619	5,180	5,809	6,515
Cost of Goods Sold	1,604	2,711	3,001	3,370	3,741	4,144	4,647	5,212
Gross Profit	**320**	**631**	**747**	**791**	**878**	**1,036**	**1,162**	**1,303**
SG&A	154	271	309	343	380	427	479	537
Income from Unconsolidated Entities	(9)	(16)	(18)	(20)	(23)	(25)	(29)	(32)
Contingent Considerations Revaluation	8	11	47	-	-	-	-	-
OPEX	(2)	(5)	29	(20)	(23)	(25)	(29)	(32)
EBITDA	**167**	**365**	**410**	**468**	**520**	**635**	**712**	**798**
Depreciation	4	5	5	5	6	7	7	8
Ammortization	2	6	6	6	6	6	6	6
EBIT	**161**	**354**	**399**	**456**	**508**	**622**	**698**	**784**
Other Income	(1)	(2)	(5)	-	-	-	-	-
Pretax Income	**162**	**356**	**404**	**456**	**508**	**622**	**698**	**784**
Taxes	(27)	(82)	(96)	(109)	(121)	(148)	(167)	(187)
Net Income	**135**	**274**	**308**	**348**	**387**	**473**	**532**	**597**

Balance Sheet								
Current Assets								
Cash and Cash Equivalents		365	494	673	888	1,177	1,507	1,887
Restricted Cash		31	54	60	67	75	84	94
Accounts Recievable		43	31	34	38	43	48	54
Inventories		1,378	1,440	1,617	1,795	1,989	2,230	2,501
Lot Deposits		277	247	274	305	342	383	430
Other Current Assets		59	81	90	100	112	125	140
Total Current Assets		**2,154**	**2,348**	**2,749**	**3,193**	**3,737**	**4,377**	**5,107**
Non-Current Assets								
Investments in Unconsolidated Entities		15	14	-	-	-	-	-
PPE, net		7	7	8	8	8	9	9
Right-of-use Assets		20	24	28	32	35	39	43
Goodwill		172	172	172	172	172	172	172
Total Non-Current Assets		**215**	**218**	**208**	**212**	**216**	**220**	**225**
Total Assets		**2,368**	**2,565**	**2,957**	**3,405**	**3,953**	**4,597**	**5,331**
Cuurent Liabilities								
Accounts Payable		135	134	151	167	185	208	233
Accured Expenses		184	207	233	259	286	321	360
Customer Deposits		146	173	194	215	238	267	300
Construction Line of Credit		966	530	596	661	732	821	921
Current Liabilities		**1,431**	**1,044**	**1,173**	**1,302**	**1,442**	**1,617**	**1,814**
Non-Cuurent Liabilities								
Senior Unsecured Notes, net		-	294	294	294	294	294	294
Lease Liabilities		25	21	21	21	21	21	21
Contingent Considerations		115	116	116	116	116	116	116
Total Non-Current Liabilities		**140**	**431**	**431**	**431**	**431**	**431**	**431**
Total Liabilities		**1,570**	**1,476**	**1,604**	**1,733**	**1,874**	**2,049**	**2,245**
Shareholders Equity		**798**	**1,089**	**1,353**	**1,671**	**2,079**	**2,549**	**3,086**

Samuel Kim | contact@westpeakresearch.com

Cash Flow Statement						
Cash from Operating Activities						
Net income	308	348	387	473	532	597
Depreciation	5	5	6	7	7	8
Amortization	6	6	6	6	6	6
(Increase) Decrease to NWC	(427)	(88)	(93)	(107)	(127)	(142)
CFO	**(108)**	**271**	**306**	**380**	**419**	**469**
Cash from Investing Activities						
Capital Expenditures	5	6	6	7	8	9
CFI	**5**	**6**	**6**	**7**	**8**	**9**
Cash from Financing Activities						
Proceeds from Senior Unsecured Notes	300	300	300	300	300	300
Proceeds from Construction Lines of Credit	5529	5529	5529	5529	5529	5529
Repayments on Construction Lines of Credit	-5846	-5846	-5846	-5846	-5846	-5846
Payments of Debt Issuance Costs	-11	-11	-11	-11	-11	-11
Payments of Preferred Stock Dividends	-13	-13	-13	-13	-13	-13
Payments for Common Stock withheld for Taxes	0	0	0	0	0	0
Distributions	-12	-12	-12	-12	-12	-12
Redemption of Preferred units	-11	-11	-11	-11	-11	-11
Payments of Contingent Consideration	-33	-33	-33	-33	-33	-33
CFF	**(97)**	**(97)**	**(97)**	**(97)**	**(97)**	**(97)**
Total Cash Flow	**(201)**	**179**	**215**	**289**	**329**	**381**
Starting Cash Balance	365	494	673	888	1,177	1,507
Ending Cash Balance	**164**	**673**	**888**	**1,177**	**1,507**	**1,887**

Model Checks								
Assets = Liabilities + Equity	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE

Samuel Kim | contact@westpeakresearch.com

Appendix 3: Discounted Cash Flow Analysis

Discounted Cash Flow Analysis

(Figures in mm USD)	Dec-21 FY-2021	Dec-22 FY-2022	Dec-23 FY-2023	Dec-24 FY-2024E	Dec-25 FY-2025E	Dec-26 FY-2026E	Dec-27 FY-2027E	Dec-28 FY-2028E
WACC Calculations								

Cost of Equity	
Risk-free rate	4.3%
Expected market return	11.5%
Market Risk Premium	**7.2%**
Beta	1.93
Cost of Equity	**18.1%**

Cost of Debt	
Pre-tax cost of debt	8.3%
Debt Adjustment Factor	-
Effective tax rate	21.0%
Cost of Debt	**6.5%**

WACC	
Market value of equity	2,200.8
Market value of debt	1,424.2
Total Capitalization	3,625.0
Cost of equity	18.1%
Cost of debt	6.5%
WACC	**13.6%**

Free Cash Flow	FY-2021	FY-2022	FY-2023	FY-2024E	FY-2025E	FY-2026E	FY-2027E	FY-2028E
EBIT	161	354	399	456	508	622	698	784
Less: Tax expense	(27)	(82)	(96)	(109)	(121)	(148)	(167)	(187)
Add: Depreciation and amortization	4	5	5	5	6	7	7	8
Less: Capital expenditures	-	-	(5)	(6)	(6)	(7)	(8)	(9)
Less: Change in net working capital	-	-	(427)	(88)	(93)	(107)	(127)	(142)
Unlevered Free Cash Flow	-	-	**(124)**	**259**	**293**	**366**	**405**	**454**
Discount factor				0.88	0.78	0.68	0.60	0.53
Present Value of Unlevered Free Cash Flow				**228**	**228**	**250**	**243**	**240**

Discounted Cash Flow Valuations

Perpetuity Growth Method	
Perpetuity Growth Rate	2.5%
PV sum of unlevered FCF	1,189.3
Terminal value	2,226.6
Enterprise Value	**3,415.9**
Add: Cash	1,887.3
Less: Debt	(2,245.3)
Less: Other EV adjustments	-
Equity Value	**3,057.9**
Shares outstanding	102.7
Implied Share Price	**$ 29.78**
Current Price	$ 23.92
Implied Price	**$ 29.78**
Total Return	**24.5%**

Exit Multiple Method	
Terminal EV/EBITDA Multiple	4.1 x
PV sum of unlevered FCF	1,189.3
Terminal value	3274.7
Enterprise Value	**4464.0**
Add: Cash	1,887.3
Less: Debt	(2,245.3)
Less: Other EV adjustments	-
Equity Value	**4106.0**
Shares outstanding	102.7
Implied Share Price	**$39.99**
Current Price	$ 23.92
Implied Price	**$39.99**
Total Return	**67.2%**

Perpetuity Growth Rate \ WACC	11.6%	12.6%	13.6%	14.6%	15.6%
29.78					
1.5%	$ 34.54	$ 30.86	$ 27.79	$ 25.20	$ 22.98
2.0%	$ 36.02	$ 32.03	$ 28.74	$ 25.98	$ 23.63
2.5%	$ 37.67	$ 33.33	**$ 29.78**	$ 26.83	$ 24.33
3.0%	$ 39.51	$ 34.76	$ 30.92	$ 27.75	$ 25.09
3.5%	$ 41.57	$ 36.35	$ 32.17	$ 28.75	$ 25.91

Exit Multiple (EV / EBITDA) \ WACC	11.6%	12.6%	13.6%	14.6%	15.6%
39.99					
2.1x	$ 25.08	$ 24.75	$ 24.44	$ 24.14	$ 23.84
3.1x	$ 32.86	$ 32.53	$ 32.21	$ 31.91	$ 31.62
4.1x	$ 40.63	$ 40.30	$ 39.99	$ 39.69	$ 39.39
5.1x	$ 48.41	$ 48.08	$ 47.76	$ 47.46	$ 47.17
6.1x	$ 56.18	$ 55.86	$ 55.54	$ 55.24	$ 54.95

Appendix 4: Comparable Companies Analysis

Comparable Company Analysis

All Figures in mm CAD

Balance Sheet Data

Company	Ticker	Share Price	Diluted Shares Outstanding	Equity Value	Cash	Debt	Other EV Adjustments	Enterprise Value
Tri Pointe Homes Inc.	NYSE: TPH	41.79	94	3,912	676	1,075	0	4,311
Century Communities	NYSE: CCS	86.23	31	2,699	149	1,780	(3)	4,326
M/I Homes	NYSE: MHO	155.47	27	4,229	723	987	(1)	4,492
Meritage Homes Corporation	NYSE: MTH	179.41	36	6,495	832	1,372	4	7,038
KB Homes	NYSE: KBH	78.53	73	5,756	375	1,713	(3)	7,091
Taylor Morrison Home	NYSE: TMHC	70.02	104	7,247	256	2,223	(17)	9,196
Beazer Homes	NYSE: BZH	33.30	30	1,009	204	1,045	(1)	1,849
Dream Finders Homes	**NYSE: DFH**	**23.92**	**103**	**2,464**	**205**	**1,476**	**339**	**4,073**
High				7,247				9,196
75th Percentile				6,495				7,091
Median				**4,229**				**4,492**
Mean				**4,478**				**5,472**
25th Percentile				6,495				7,091
Low				1,009				1,849

EV / EBITDA

Company	2023A EBITDA	2024E EBITDA	2025E EBITDA	2023A EV/EBITDA	2024E EV/EBITDA	2025E EV/EBITDA
Tri Pointe Homes Inc.	640	809	734	6.7x	5.3x	5.9x
Century Communities	407	520	627	10.6x	8.3x	6.9x
M/I Homes	565	779	826	7.9x	5.8x	5.4x
Meritage Homes Corporation	915	1,051	1,057	7.7x	6.7x	6.7x
KB Homes	901	984	1,040	7.9x	7.2x	6.8x
Taylor Morrison Home	1,256	1,270	1,351	7.3x	7.2x	6.8x
Beazer Homes	272	243	268	6.8x	7.6x	6.9x
Dream Finders Homes	**410**	**574**	**587**	**9.9x**	**7.1x**	**6.9x**
High				10.6x	8.3x	6.9x
75th Percentile				7.9x	7.6x	6.9x
Median				**7.7x**	**7.2x**	**6.8x**
Mean				**7.9x**	**6.9x**	**6.5x**
25th Percentile				7.9x	7.6x	6.9x
Low				6.7x	5.3x	5.4x

Price / Earnings

Company	2023A Diluted EPS	2024E Diluted EPS	2025E Diluted EPS	2023A P/E	2024E P/E	2025E P/E
Tri Pointe Homes Inc.	3.45	4.76	4.54	12.1x	8.8x	9.2x
Century Communities	8.05	10.50	12.41	10.7x	8.2x	6.9x
M/I Homes	16.21	19.88	21.41	9.6x	7.8x	7.3x
Meritage Homes Corporation	19.93	21.27	21.32	9.0x	8.4x	8.4x
KB Homes	7.03	8.42	9.15	11.2x	9.3x	8.6x
Taylor Morrison Home	7.54	8.38	9.19	9.3x	8.4x	7.6x
Beazer Homes	5.15	4.35	4.56	6.5x	7.7x	7.3x
Dream Finders Homes	**2.79**	**3.27**	**3.36**	**8.6x**	**7.3x**	**7.1x**
High				12.1x	9.3x	9.2x
75th Percentile				11.2x	8.8x	8.6x
Median				**9.6x**	**8.4x**	**7.6x**
Mean				**9.8x**	**8.4x**	**7.9x**
25th Percentile				11.2x	8.8x	8.6x
Low				6.5x	7.7x	6.9x

	EV/EBITDA Implied Price		P/E Implied Price	
Median	$ 31.07	$ 29.76	$ 27.32	$ 25.60
Mean	**$ 29.27**	$ 27.91	**$ 27.37**	$ 26.56
High	$ 37.32	$ 29.39	$ 30.50	$ 30.93
Low	$ 20.64	$ (9.05)	$ 25.03	$ 23.35