Ben Jones Investments
Equity Research

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Ticker MHO (NYSE)
Price USD 123.33
Sector Homebuilder, Consumer Durables
Website https://investors.mihomes.com

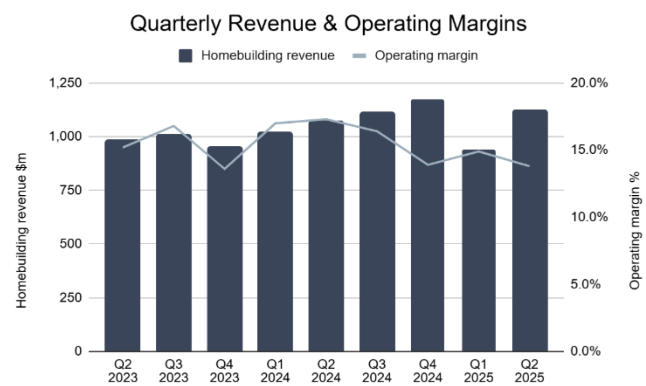
M/I HOMES

M/I Homes is a US homebuilder based in Columbus, Ohio, with homebuilding operations across 10 states. They build single-family homes and townhouses, delivering 9,055 homes in 2024.

Q2 2025 earnings

USD millions	Q2 2025	Q2 2024	% change
Completions	**2,348**	**2,224**	**5.6%**
Average sales price $000s	**479**	**482**	**-0.6%**
Revenue	**1,131**	**1,079**	**4.8%**
Operating income	**156**	**187**	**-16.6%**
Net income	**121**	**147**	**-17.7%**
EPS common shareholders	**4.42**	**5.12**	**-13.7%**
Cancellation rate	**13%**	**10%**	**-3%**
Operating margin	**13.8%**	**17.3%**	**-3.5%**
Net debt / equity	**-3.4% (net cash)**	**-5.2% (net cash)**	**1.8%**
Equity	**3,082**	**2,741**	**12.4%**
RoE (annualised)	**15.7%**	**21.4%**	**-5.7%**

Quarterly Results Trend



Financial Highlights

- Homes delivered increased 5.6% YoY to 2,348 deliveries, a record for a 2nd quarter.
- Increased home deliveries drove revenue up 4.8% YoY to $1.13bn, with average sales price slightly down at $479,000.
- However, new contracts saw an 8% decline from 2,255 in Q2 2024 to 2,078 in Q2 this year.
- Gross margins and operating margins both fell, with operating margins down to 13.8% from 17.3% in Q2 last year. The principal cause of lower margins was the increased use of mortgage buydowns to increase customer incentives.

- Gross debt was unchanged at $696m and resulted in a decline in gross debt / equity ratio to 22.6% and with little change in the net debt / equity ratio of -3.4% (ie positive net cash position). The strong balance sheet ensures M/I Homes can comfortably weather any potential deterioration in the housing market, and take advantage of such a slump with opportunistic land purchasing.
- Backlog units declined from 3,422 units in Q2 2024 to 2,577 units in Q2 this year. Again, this reflects the weaker environment from higher rates impacting customer demand.
- Land lot purchases were $102m in Q2, down from $119m in Q2 2024. This reflects a slightly more conservative approach during a higher rate environment. M/I Homes own or control about 50,500 lots which corresponds to a 5-6 year supply.
- M/I Homes mortgage operations captured 92% of their business in Q2, up from 87% a year prior. Financial services revenue was $31m in Q2, flat YoY.
- Share repurchases of $50m.

Operational Highlights

- M/I Homes expanded to a 10th state, with a new community in York, South Carolina.
- 8 net new communities in Q2 at 234 communities vs 226 in Q1. M/I Homes is guiding 5% growth in community count for 2025.

Management Comments

- Robert Schottenstein, CEO: "We delivered solid second quarter results, despite continued challenging market conditions. Our results are highlighted by new second quarter records in revenue and homes delivered, strong gross margins of 25%, 14% pre-tax income and 17% return on equity."
- Schottenstein sees plenty of growth opportunities within existing markets, and rules out expanding further west in the near future.
- Management doesn’t expect to see much more of a decline in operating margins, even if a higher rate environment lasts for longer.

Ben Jones Investments Outlook

- The record Q2 volumes is a positive sign of ongoing demand, despite higher mortgage rates.
- The decline in operating margins is not unusual in higher rate environments and the decline is from historically high margins. We still see M/I Homes as undervalued based on long-run operating margins of 12%, a level that is still lower than current margins.
- M/I Homes has a strong balance sheet that ensures it can comfortably weather any housing market deterioration, while taking advantage of better land buying opportunities that would inevitably accompany a downturn.
- We like M/I Homes capital allocation policy which maintains cash to be opportunistic in a downturn while also repurchasing shares at attractive valuations.
- We still see the US as having a fundamental housing shortage that will help support property prices through periods of higher rates.
- Historically, higher rates driven by higher inflation tend to support real home prices as nominal home prices keep pace with inflation.
- Given the caution around higher rates and tariffs, we like homebuilders that are undervalued, have above average margins, and strong balance sheets. M/I Homes ticks all three boxes in our view.