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

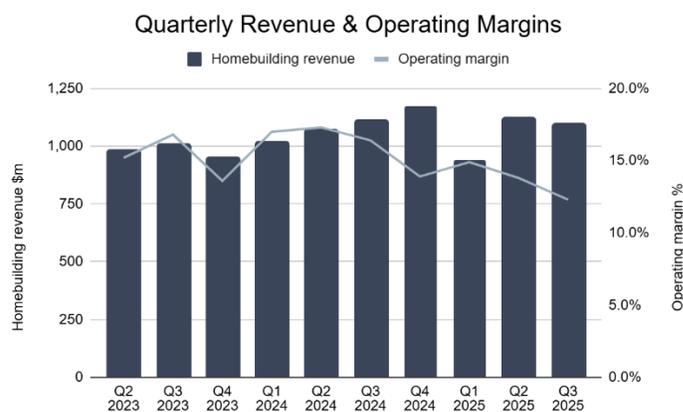


M/I Homes is a US homebuilder based in Columbus, Ohio, with homebuilding operations across 10 states. They build single-family homes and townhouses, delivering 9,055 homes in 2024.

Q3 2025 earnings

USD millions	Q3 2025	Q3 2024	% change
Completions	2,296	2,271	1.1%
Average sales price \$000s	477	489	-2.5%
Revenue	1,097	1,113	-1.4%
Operating income	135	182	-25.8%
Net income	106	145	-26.9%
EPS common shareholders	4.01	5.26	-23.8%
Cancellation rate	12%	10%	2%
Operating margin	12.3%	17.3%	-5.0%
Net debt / equity	-1.2% (net cash)	-0.9% (net cash)	-0.3%
Equity	3,149	2,845	10.7%
RoE (annualised)	13.5%	20.4%	-6.9%

Quarterly Results Trend



Financial Highlights

- Homes delivered increased 1.1% YoY to 2,296 deliveries, a record for a 3rd quarter.
- Increased home deliveries was offset by average sales price dropping 2.5% to \$477,000, resulting in a 1.4% YoY drop in revenue.
- New contracts saw a 6% decline from 2,023 in Q3 2024 to 1,908 in Q3 this year.
- Gross margins and operating margins both fell, with operating margins down to 12.3% from 17.3% in Q3 last year. Gross margins dropped 2% on lower average sales price, 1% from build cost inflation, 1% from higher admin

expenses and 1% from a non-cash impairment. The drop in average sales price is predominantly due to increased use mortgage rate buydowns as a buyer incentive.

- Gross debt was unchanged at \$696m and resulted in a decline in gross debt / equity ratio to 22.1% and a slight improvement in the net debt / equity ratio to -1.2% (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 3,174 units in Q3 2024 to 2,189 units in Q3 this year. Again, this reflects the weaker environment from higher rates impacting customer demand.
- Land lot purchases were \$115m in Q3, down from \$139m in Q2 2024. This reflects a slightly more conservative approach during a higher rate environment. M/I Homes own or control 50,625 lots which corresponds to a 5-6 year supply.
- M/I Homes mortgage operations captured 93% of their business in Q3, up from 89% a year prior. Financial services revenue was \$35m in Q3, up 15% YoY.
- Average LTV was 84% in Q3 vs 82% in Q3 last year and there was an increased use of government financing with 55% of loans conventional and 45% FHA or VA, compared to 66% and 34% respectively in Q3 last year.
- Share repurchases of \$50m. This brings total repurchases to 15% of outstanding shares since Feb 2022.

Operational Highlights

- M/I Homes say they have seen no impact from tariffs so far this year, but uncertainty still remains going forward.
- M/I Homes had 233 communities in Q3 vs 234 in Q2 and 217 in Q3 2024. M/I Homes is guiding 5% growth in community count for FY 2025.
- Moody's upgraded credit rating from Ba2 to Ba1.

Management Comments

- Robert Schottenstein, CEO: "Despite the continued challenging housing market conditions and uneven demand environment, we had a solid quarter. We produced \$140 million of pre-tax income representing 12% of revenue and delivered a third quarter record 2,296 homes. This resulted in a strong return on equity of 16%."
- Schottenstein sees plenty of growth opportunities within existing markets, seeing the possibility of expanding to 13,000-14,000 annual completions without needing to open up to any new markets.
- 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

- Volumes are solid and provide a positive sign of ongoing demand, despite higher mortgage rates.
- There is undoubtedly some weakness in the US housing market presently, and we see this across increased use of incentives impacting gross margins, through higher LTVs, and higher use of government scheme support.
- We expect to see lower rates ahead that will provide support. The housing market is also cyclical and we see M/I Homes as undervalued based on long-run average home price growth, margins and volume growth.
- The decline in operating margins is not unusual in higher rate environments and the decline is from historically high margins. M/I Homes operating margins at 12% in Q3 is about in-line with long-run average operating margins. We still see M/I Homes as undervalued based on long-run operating margins of 12%.
- 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.