Ben Jones Investments
Equity Research

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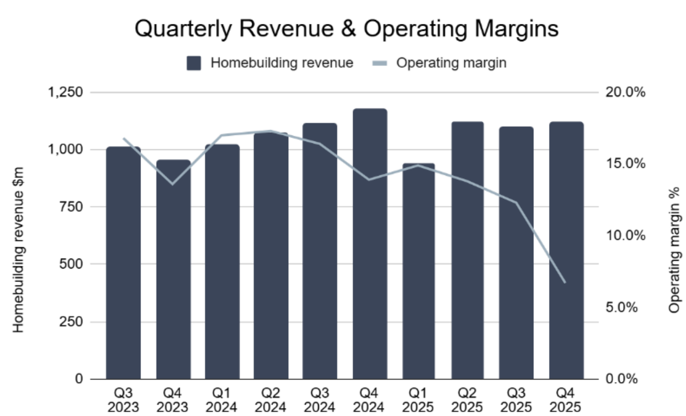
Ticker MHO (NYSE)
Price USD 128.60
Sector Homebuilder, Consumer Durables
Website https://investors.mihomes.com

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 8,921 homes in 2025.

FY 2025 earnings

USD millions	FY 2025	FY 2024	% change
Completions	**8,921**	**9,055**	**-1.5%**
Average sales price $000s	**479**	**483**	**-0.8%**
Revenue	**4,418**	**4,505**	**-1.9%**
Operating income	**507**	**706**	**-28.2%**
Net income	**403**	**564**	**-28.5%**
EPS common shareholders	**14.74**	**19.71**	**-25.2%**
Cancellation rate	**11%**	**10%**	**1%**
Operating margin	**11.5%**	**15.7%**	**-4.2%**
Net debt / equity	**0.2%**	**-4.3% (net cash)**	**4.5%**
Equity	**3,166**	**2,940**	**7.7%**
RoE (annualised)	**12.7%**	**19.2%**	**-6.5%**

Quarterly Results Trend



Financial Highlights

- Homes delivered decreased 1.5% to 8,921 deliveries.
- Revenue dropped 1.9% driven both by the 1.5% contraction in deliveries and a mild 0.8% drop in average sales price.
- New contracts in Q4 increased 9.2% YoY, showing some promise of sustained demand going in to 2026.
- Gross margin and operating margin both fell, with operating margin down to 11.5% from 15.7% last year. Operating margin dropped 1% on lower average sales price, 2% from build cost inflation 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.

- Adjusted operating margin in Q4 was 10.0% due to a $40m impairment charge to inventory. While still a decline from the 12-17% range since 2021, it's not as bad as the headline 6.7% figure would suggest. Post-covid was a strong period for homebuilders and we think an operating margin around 11% will be broadly standard over the long-run.
- The $40m inventory charge was made up of a $30m impairment to 1,000 lots and a $10m land due diligence write-off.
- Gross debt was unchanged at $696m and resulted in a decline in gross debt / equity ratio to 22.0%. Net debt/equity rose slightly from net cash to flat as land spend increased. 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.
- Land lot purchases were $524m in 2025, up from $473m in 2024. The higher cost comes as more plots were brought under ownership as opposed to simply being controlled. M/I Homes owns or controls 49,981 lots which corresponds to a 5-6 year supply.
- M/I Homes mortgage operations captured 93% of their business in 2025, an annual record. Financial services revenue was $125m in 2025, up 8%.
- Average LTV was 83% in 2025, a similar level to 2024. Average credit score for buyers was 747, suggesting that there is still strong enough demand for homes among buyers with good credit.
- Share repurchases of $202m in 2025. 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 Q4 vs 219 in Q4 2024.
- Moody's upgraded credit rating from Ba2 to Ba1.

Management Comments

- Robert Schottenstein, CEO: "2025 was a very solid year for M/I Homes. Despite the various macro-economic factors impacting new home demand, we were pleased to deliver 8,921 homes for the year, produce $527 million of pretax income, generate a 12% pretax income return, and a 13% return on equity. We ended the year in excellent financial condition with record shareholders' equity of $3.2 billion, cash of $689 million, zero borrowings under our $900 million credit facility, a debt to capital ratio of 18% and a net debt to capital ratio of zero."
- 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.
- The housing market is 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 2025 is about in-line with long-run average operating margins. We see M/I Homes as undervalued based on long-run operating margins of 11%.
- 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.
- There is a risk of further impairment charges to inventory, although it will have little impact on our valuation as we already incorporate a haircut to inventory value.
- 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.