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## ANALYST QUICK NOTES

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**Lennar Corp. (NYSE: LEN: BUY)**

**Target Price: \$57**

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**3/27/2017**

### Follow up on 1Q earnings:

- In response to the company's 1Q earnings report, we are raising our price target to \$57 from \$55. There is potential upside to our target.

### What is the basis for the increase?

- We are raising our FY17 EPS forecast to \$4.25 from \$4.20. We are now modeling higher home deliveries, particularly in the back half of the year.
- We are raising our FY18 EPS estimate to \$4.55 per share from \$4.40 per share. The increase primarily is based on a stronger outlook for homebuilding revenue.
- In calculating our one-year price objective, we are maintaining our target multiple of 13.
  - We are raising the earnings component. Our forward-four-quarter EPS estimate is \$4.37, up from \$4.20 previously.
  - Thus, we are raising our price target to \$57 from \$55.
  - There is potential upside to our target.

### Why the optimism on home sales?

- On March 21, Lennar reported fiscal 1Q17 net revenue of \$2.34 billion, up 17% from the prior-year period.
  - That was above the StreetAccount consensus of \$2.14 billion and our estimate, which was \$2.2 billion.
- CEO Stuart Miller opened the conference call saying that conditions in the housing market felt strong and appeared to be strengthening.
- The macroeconomic environment has improved since Election Day, with building activity accelerating amid growth in wages, jobs and consumer confidence, management said.
  - Management added that the combination of quickening sales growth along with tight supplies of land, labor, and starter homes should boost builders' pricing power and EPS going forward.

**The “Interest-rate question.”**

- In his prepared comments, the CEO confirmed a perception that rising interest rates are proving to be a catalyst for some buyers.
    - Many of these prospects are getting off the fence and buying on concern that still-rising home prices and potentially higher interest rates could leave them priced-out of home ownership and exposed to rising rent if they do not buy a home.
    - Lennar is expanding its offering for first-time buyers.
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