

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2024
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File Number **001-38545**

Landsea Homes Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

82-2196021

(I.R.S. Employer
Identification Number)

1717 McKinney Avenue, Suite 1000
Dallas, Texas

(Address of Principal Executive Offices)

75202

(Zip Code)

(949) 345-8080

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	LSEA	The Nasdaq Capital Market
Warrants exercisable for Common Stock	LSEAW	The Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 26, 2024, 36,275,392 Class A common stock, par value \$0.0001 per share, were outstanding.

Landsea Homes Corporation
Form 10-Q Index
For the Three and Six Months Ended June 30, 2024

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Landsea Homes Corporation
Consolidated Balance Sheets - (Unaudited)

(in thousands, except share and per share amounts)

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Assets		
Cash and cash equivalents	\$ 82,150	\$ 119,555
Cash held in escrow	24,071	49,091
Real estate inventories	1,350,165	1,121,726
Due from affiliates	4,569	4,348
Goodwill	152,322	68,639
Other assets	129,633	107,873
Total assets	<u>\$ 1,742,910</u>	<u>\$ 1,471,232</u>
Liabilities		
Accounts payable	\$ 95,471	\$ 77,969
Accrued expenses and other liabilities	219,569	160,256
Due to affiliates	881	881
Line of credit facility, net	225,655	307,631
Senior notes, net	528,452	236,143
Total liabilities	<u>1,070,028</u>	<u>782,880</u>
Commitments and contingencies (Note 8)		
Equity		
Stockholders' equity:		
Preferred stock, \$0.0001 par value, 50,000,000 shares authorized, none issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	—	—
Common stock, \$0.0001 par value, 500,000,000 shares authorized, 41,671,387 issued and 36,275,392 outstanding as of June 30, 2024, 41,382,453 issued and 36,520,894 outstanding as of December 31, 2023	4	4
Additional paid-in capital	460,001	465,290
Retained earnings	190,659	187,584
Total stockholders' equity	<u>650,664</u>	<u>652,878</u>
Noncontrolling interests	22,218	35,474
Total equity	<u>672,882</u>	<u>688,352</u>
Total liabilities and equity	<u>\$ 1,742,910</u>	<u>\$ 1,471,232</u>

See accompanying notes to the consolidated financial statements

Landsea Homes Corporation
Consolidated Statements of Operations - (Unaudited)

(in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue				
Home sales	\$ 418,182	\$ 291,512	\$ 710,774	\$ 532,137
Lot sales and other	12,961	1,732	14,410	2,847
Total revenues	<u>431,143</u>	<u>293,244</u>	<u>725,184</u>	<u>534,984</u>
Cost of sales				
Home sales	355,736	240,835	604,633	437,889
Lot sales and other	11,231	1,748	12,914	2,461
Total cost of sales	<u>366,967</u>	<u>242,583</u>	<u>617,547</u>	<u>440,350</u>
Gross margin				
Home sales	62,446	50,677	106,141	94,248
Lot sales and other	1,730	(16)	1,496	386
Total gross margin	<u>64,176</u>	<u>50,661</u>	<u>107,637</u>	<u>94,634</u>
Sales and marketing expenses	24,663	18,334	43,151	34,742
General and administrative expenses	29,555	25,980	55,637	48,760
Total operating expenses	<u>54,218</u>	<u>44,314</u>	<u>98,788</u>	<u>83,502</u>
Income from operations	9,958	6,347	8,849	11,132
Other (expense) income, net	(5,353)	1,159	(3,540)	2,114
Pretax income	<u>4,605</u>	<u>7,506</u>	<u>5,309</u>	<u>13,246</u>
Provision for income taxes	1,370	1,640	1,340	3,257
Net income	3,235	5,866	3,969	9,989
Net income attributable to noncontrolling interests	350	919	894	1,824
Net income attributable to Landsea Homes Corporation	<u>\$ 2,885</u>	<u>\$ 4,947</u>	<u>\$ 3,075</u>	<u>\$ 8,165</u>
Income per share:				
Basic	<u>\$ 0.08</u>	<u>\$ 0.12</u>	<u>\$ 0.08</u>	<u>\$ 0.20</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 0.12</u>	<u>\$ 0.08</u>	<u>\$ 0.20</u>
Weighted average common shares outstanding:				
Basic	<u>36,199,850</u>	<u>39,891,982</u>	<u>36,239,765</u>	<u>39,944,549</u>
Diluted	<u>36,369,827</u>	<u>39,971,731</u>	<u>36,558,862</u>	<u>40,059,731</u>

See accompanying notes to the consolidated financial statements

Landsea Homes Corporation
Consolidated Statements of Equity - (Unaudited)
(in thousands, except shares)

Common Stock

	Shares	Amount	Additional paid-in capital	Retained earnings	Total stockholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2024	36,129,736	\$ 4	\$ 459,521	\$ 187,774	\$ 647,299	\$ 29,225	\$ 676,524
Shares issued under share-based awards	117,197	—	—	—	—	—	—
Stock options exercised	28,459	—	240	—	240	—	240
Cash paid for shares withheld for taxes	—	—	(625)	—	(625)	—	(625)
Stock-based compensation	—	—	865	—	865	—	865
Distributions to noncontrolling interests	—	—	—	—	—	(7,357)	(7,357)
Net income	—	—	—	2,885	2,885	350	3,235
Balance at June 30, 2024	36,275,392	\$ 4	\$ 460,001	\$ 190,659	\$ 650,664	\$ 22,218	\$ 672,882

Common Stock

	Shares	Amount	Additional paid-in capital	Retained earnings	Total stockholders' equity	Noncontrolling interests	Total equity
Balance at December 31, 2023	36,520,894	\$ 4	\$ 465,290	\$ 187,584	\$ 652,878	\$ 35,474	\$ 688,352
Shares issued under share-based awards	188,449	—	—	—	—	—	—
Stock options exercised	100,485	—	976	—	976	—	976
Cash paid for shares withheld for taxes	—	—	(1,299)	—	(1,299)	—	(1,299)
Stock-based compensation	—	—	1,543	—	1,543	—	1,543
Repurchase of common stock and associated tax	(534,436)	—	(6,509)	—	(6,509)	—	(6,509)
Distributions to noncontrolling interests	—	—	—	—	—	(14,150)	(14,150)
Net income	—	—	—	3,075	3,075	894	3,969
Balance at June 30, 2024	36,275,392	\$ 4	\$ 460,001	\$ 190,659	\$ 650,664	\$ 22,218	\$ 672,882

See accompanying notes to the consolidated financial statements

Landsea Homes Corporation
Consolidated Statements of Equity - (Unaudited)
(in thousands, except shares)

	<u>Common Stock</u>				Retained earnings	Total stockholders' equity	Noncontrolling interests	Total equity
	Shares	Amount	Additional paid-in capital					
Balance at March 31, 2023	40,019,283	\$ 4	\$ 496,687	\$ 161,566	\$ 658,257	\$ 54,361	\$ 712,618	
Shares issued under share-based awards	132,767	—	—	—	—	—	—	
Cash paid for shares withheld for taxes	—	—	(145)	—	(145)	—	(145)	
Stock-based compensation expense	—	—	1,731	—	1,731	—	1,731	
Repurchase of common stock and associated tax	(968,869)	—	(7,532)	—	(7,532)	—	(7,532)	
Distributions to noncontrolling interests	—	—	—	—	—	(932)	(932)	
Net income	—	—	—	4,947	4,947	919	5,866	
Balance at June 30, 2023	39,183,181	\$ 4	\$ 490,741	\$ 166,513	\$ 657,258	\$ 54,348	\$ 711,606	

	<u>Common Stock</u>				Retained earnings	Total stockholders' equity	Noncontrolling interests	Total equity
	Shares	Amount	Additional paid-in capital					
Balance at December 31, 2022	40,884,268	\$ 4	\$ 497,598	\$ 158,348	\$ 655,950	\$ 54,369	\$ 710,319	
Shares issued under share-based awards	267,782	—	—	—	—	—	—	
Cash paid for shares withheld for taxes	—	—	(695)	—	(695)	—	(695)	
Stock-based compensation expense	—	—	1,370	—	1,370	—	1,370	
Repurchase of common stock and associated tax	(968,869)	—	(7,532)	—	(7,532)	—	(7,532)	
Forfeiture and cancellation of Earnout Shares	(1,000,000)	—	—	—	—	—	—	
Distributions to noncontrolling interests	—	—	—	—	—	(1,845)	(1,845)	
Net income	—	—	—	8,165	8,165	1,824	9,989	
Balance at June 30, 2023	39,183,181	\$ 4	\$ 490,741	\$ 166,513	\$ 657,258	\$ 54,348	\$ 711,606	

See accompanying notes to the consolidated financial statements

Landsea Homes Corporation
Consolidated Statements of Cash Flows - (Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2024	2023
	<i>(dollars in thousands)</i>	
Cash flows from operating activities:		
Net income	\$ 3,969	\$ 9,989
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	3,170	2,557
Real estate inventories impairment	—	4,700
Stock-based compensation	1,543	1,370
Loss on modification of debt	5,180	—
Abandoned project costs	1,954	312
Write-off of offering costs	—	436
Deferred taxes	264	346
Changes in operating assets and liabilities:		
Cash held in escrow	25,020	15,197
Real estate inventories	(47,760)	(35,138)
Due from affiliates	(221)	(366)
Other assets	(3,606)	2,104
Accounts payable	15,030	(1,547)
Accrued expenses and other liabilities	(4,142)	(11,374)
Net cash provided by (used in) operating activities	401	(11,414)
Cash flows from investing activities:		
Purchases of property and equipment	(3,619)	(3,571)
Payments for business acquisition, net of cash acquired	(235,043)	—
Net cash used in investing activities	(238,662)	(3,571)
Cash flows from financing activities:		
Borrowings from notes, other debts payable, and other liabilities	473,047	190,000
Repayments of notes, other debts payable, and other liabilities	(240,545)	(214,300)
Cash paid for shares withheld for taxes	(1,299)	(695)
Proceeds from exercise of stock options	976	—
Repurchases of common stock	(6,452)	(7,476)
Distributions to noncontrolling interests	(14,150)	(1,845)
Deferred offering costs paid	(2,324)	(147)
Debt issuance and modification costs paid	(8,397)	—
Net cash provided by (used in) financing activities	200,856	(34,463)
Net decrease in cash and cash equivalents	(37,405)	(49,448)
Cash and cash equivalents at beginning of period	119,555	123,634
Cash and cash equivalents at end of period	\$ 82,150	\$ 74,186

See accompanying notes to the consolidated financial statements

Landsea Homes Corporation
Notes to the Consolidated Financial Statements - (unaudited)

1. Company and Summary of Significant Account Policies

Landsea Homes Corporation (together with its subsidiaries, “Landsea Homes” or the “Company”) is engaged in the acquisition, development, and sale of homes and lots in Arizona, California, Colorado, Florida, New York, and Texas. The Company’s operations are organized into the following six reportable segments: Arizona, California, Colorado, Florida, Metro New York, and Texas.

Basis of Presentation and Consolidation—The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of the Company and all subsidiaries, partnerships, and other entities in which the Company has a controlling interest as well as variable interest entities (“VIEs”) in which the Company is deemed the primary beneficiary. The Company’s investments in both unconsolidated entities in which a significant, but less than controlling, interest is held and in VIEs in which the Company is not deemed to be the primary beneficiary are accounted for under the equity method. All intercompany transactions and balances have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 29, 2024. The accompanying unaudited consolidated financial statements include all adjustments, consisting of normal recurring entries, necessary for a fair presentation of the Company’s results for the interim periods presented. Results for the interim periods are not necessarily indicative of the results to be expected for the full year due to seasonal variations and other factors.

Use of Estimates—The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ materially from these estimates.

Recent Accounting Pronouncements

In March 2023, the FASB issued ASU 2023-01, which amends the application of ASU 2016-02, *Leases (Topic 842)*, related to leases with entities under common control, also referred to as common control leases. The amendments to this update require an entity to consider the useful life of leasehold improvements associated with common control leases from the perspective of the common control group and amortize the leasehold improvements over the useful life of the assets to the common control group, instead of the term of the lease. Any remaining value for the leasehold improvement at the end of the lease would be adjusted through equity. The standard was effective for fiscal years beginning after December 15, 2023, early adoption was permitted. The adoption did not have a material impact on the Company’s consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires disclosure of additional segment information. The guidance requires entities to provide significant segment expenses that are regularly provided to the entity’s chief operating decision maker (“CODM”), other segment items to reconcile segment revenue and significant expenses to the reported measure of segment profit or loss, a description of the composition of the other segment items, and the title and position of the CODM. The amendments in this update also expand the segment disclosure requirements to interim periods. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The new guidance must be applied retrospectively to all prior periods presented in the financial statements, with the significant segment expense and other segment item amounts disclosed based on categories identified in the period of adoption. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires annual disclosure of specific categories in the income tax rate reconciliation and of additional information for reconciling items that meet a quantitative threshold among other changes. Specifically, the guidance requires a tabular reconciliation disclosure, using both percentages and amounts. The guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

Landsea Homes Corporation
Notes to the Consolidated Financial Statements - (unaudited)

2. Business Combination and Asset Acquisition

On April 1, 2024, the Company completed the acquisition of Antares Acquisition, LLC (“Antares”), a Dallas Fort Worth based homebuilder, for approximately \$239.8 million (subject to certain customary post-closing adjustments) using a combination of cash on hand and borrowings under the Company’s existing credit facility, which included repayment of approximately \$40.2 million of Antares debt. The total assets of Antares included approximately 2,100 lots owned or controlled in the Dallas Fort Worth market. This acquisition was accounted for as a business combination.

In accordance with ASC 805, the assets acquired and liabilities assumed from the acquisition of Antares were measured and recognized at fair value as of the date of the acquisition to reflect the purchase price paid. The determination of the final purchase accounting allocation related to the working capital calculations and resulting goodwill are in process as of the date of these consolidated financial statements. Changes in the determination of the fair value of the assets acquired and liabilities assumed will be recorded as a measurement period adjustment in the period in which they are identified up to one year from the acquisition date.

Acquired inventories consist of land, land deposits, and work in process inventories. For acquired land and land options, the Company typically utilizes, with the assistance of a third-party appraiser, a sales comparison approach. For work in process inventories, the Company estimates the fair value based upon the stage of production of each unit and a gross margin that management believes a market participant would require to complete the remaining development and requisite selling efforts. On the acquisition date, the stage of production for each lot ranged from recently started lots to fully completed homes. The intangible assets acquired relate to the Antares trade name and material contracts, which are estimated to have a fair value of \$2.0 million and are being amortized over 12 to 18 months. Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed and relates primarily to the assembled workforce and business synergies. Goodwill of \$83.7 million was preliminarily recorded on the consolidated balance sheets as a result of this transaction and is expected to be deductible for tax purposes over 15 years. The acquired goodwill is included in the Texas reporting segment in *Note 11 – Segment Reporting*. The Company incurred transaction related costs of \$2.6 million and \$3.6 million related to the Antares acquisition during the three and six months ended June 30, 2024, respectively. These transaction costs are included in general and administrative expenses on the consolidated statements of operations.

The Company’s results of operations include homebuilding revenues from the Antares acquisition of \$5.7 million for both the three and six months ended June 30, 2024. The accompanying results of operations also include pretax loss of \$0.8 million from the Antares acquisition during both the three and six months ended June 30, 2024. The pretax loss is inclusive of purchase price accounting and an allocation of corporate general and administrative expenses.

The following is a summary of the preliminary allocation of the purchase price based on the fair value of assets acquired and liabilities assumed (*dollars in thousands*).

Assets Acquired	
Cash	\$ 4,760
Real estate inventories	157,279
Goodwill	83,683
Other intangible assets	1,950
Other assets	4,539
Total assets	\$ 252,211
Liabilities Assumed	
Accounts payable	\$ 2,472
Accrued expenses	9,936
Total liabilities	12,408
Net assets acquired	\$ 239,803

On October 10, 2023, the Company expanded into the Colorado market by acquiring certain assets of Richfield Homes, LLC (“Richfield”). The Company paid an aggregate cash purchase price of \$22.5 million to acquire approximately 290 owned or controlled lots in the greater Denver, Colorado area, including any construction in progress on those lots. This acquisition was accounted for as an asset acquisition.

Landsea Homes Corporation
Notes to the Consolidated Financial Statements - (unaudited)

Unaudited Pro Forma Financial Information

Unaudited pro forma revenue and net income for the following periods presented give effect to the results of the acquisition of Antares as though the respective acquisition dates were as of January 1, 2023, the beginning of the year preceding the acquisition. Unaudited pro forma net income adjusts the operating results of Antares to reflect the additional costs that would have been recorded assuming the fair value adjustments had been applied as of the beginning of the year preceding the year of acquisition, including the tax-effected amortization of the acquired intangible assets and transaction related costs.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	<i>(dollars in thousands)</i>			
Revenue	\$ 431,143	\$ 346,637	\$ 767,840	\$ 627,604
Pretax income	11,246	8,752	17,617	9,841
Provision for income taxes	4,718	2,113	4,447	2,420
Net income	<u>\$ 6,528</u>	<u>\$ 6,639</u>	<u>\$ 13,170</u>	<u>\$ 7,421</u>

3. Variable Interest Entities

The Company consolidates two joint venture (“JV”) VIEs. The consolidated VIEs include one active project in the Metro New York area (“14th Ave JV”) and one JV with the purpose of acquiring undeveloped land (the “LCF JV”). The Company has determined that it is the primary beneficiary of these VIEs as it has the power to direct activities of the operations that most significantly affect their economic performance.

Both consolidated VIEs are financed by equity contributions from the Company and the JV partner. The 14th Ave JV was also funded by third-party debt which was paid off in 2022.

The following table summarizes the carrying amount and classification of the VIEs’ assets and liabilities in the consolidated balance sheets as of June 30, 2024 and December 31, 2023.

	June 30, 2024	December 31, 2023
	<i>(dollars in thousands)</i>	
Cash	\$ 6,402	\$ 2,950
Real estate inventories	60,605	79,441
Due from affiliates	115	203
Other assets	2,248	2,107
Total assets	<u>\$ 69,370</u>	<u>\$ 84,701</u>
Accounts payable	\$ 525	\$ 384
Accrued expenses and other liabilities	5,353	5,257
Total liabilities	<u>\$ 5,878</u>	<u>\$ 5,641</u>

4. Real Estate Inventories

Real estate inventories are summarized as follows:

	June 30, 2024	December 31, 2023
	<i>(dollars in thousands)</i>	
Deposits and pre-acquisition costs	\$ 124,883	\$ 99,702
Land held and land under development	505,631	272,825
Homes completed or under construction	701,819	692,126
Model homes	17,832	57,073
Total real estate inventories	<u>\$ 1,350,165</u>	<u>\$ 1,121,726</u>

Landsea Homes Corporation
Notes to the Consolidated Financial Statements - (unaudited)

Deposits and pre-acquisition costs include land deposits and other due diligence costs related to potential land acquisitions. Land held and land under development includes costs incurred during site development such as development, indirect costs, and permits. Homes completed or under construction and model homes include all costs associated with home construction, including land, development, indirect costs, permits, materials, and labor.

In accordance with ASC 360, *Property, Plant, and Equipment*, real estate inventories are stated at cost, unless the carrying amount is determined not to be recoverable, in which case inventory is written down to its fair value. The Company reviews each real estate asset at the community-level, on a quarterly basis or whenever indicators of impairment exist. The Company generally determines the estimated fair value of each community by using a discounted cash flow approach based on the estimated future cash flows at discount rates that reflect the risk of the community being evaluated. The discounted cash flow approach can be impacted significantly by the Company's estimates of future home sales revenue, home construction costs, pace of homes sales, and the applicable discount rate.

For the three and six months ended June 30, 2024, the Company did not recognize any impairments on real estate inventories. For the three and six months ended June 30, 2023, the Company recorded \$4.7 million of real estate inventories impairment charges related to one community in its California segment. In this instance, the Company determined that additional incentives and persistent discounts were required to sell the remaining homes, which was the primary reason the estimated future cash flows for the community were driven below their previous carrying values. Real estate inventories impairment charges are recorded to cost of home sales in the consolidated statements of operations.

	Impairment Data			Quantitative Data
	Number of Projects Impaired	Real Estate Inventories Impairment	Fair Value of Inventory After Impairment	Discount Rate
Three Months Ended				
		<i>(dollars in thousands)</i>		
June 30, 2023	1	\$ 4,700	\$ 19,363	11 %

5. Capitalized Interest

Interest is capitalized to real estate inventories during development and as a result of other qualifying activities. Interest capitalized as a cost of real estate inventories is included in cost of sales as related inventories are delivered.

For the three and six months ended June 30, 2024, the Company incurred and capitalized interest of \$21.6 million and \$36.9 million, respectively. For the three and six months ended June 30, 2023, the Company incurred and capitalized interest of \$11.3 million and \$23.2 million, respectively. Previously capitalized interest included in cost of sales during the three and six months ended June 30, 2024 was \$18.0 million and \$28.6 million, respectively. Previously capitalized interest included in cost of sales during the three and six months ended June 30, 2023 was \$7.3 million and \$11.9 million, respectively. These amounts included interest from certain related party transactions, refer to *Note 9 – Related Party Transactions* for additional information.

6. Other Assets

As of June 30, 2024 and December 31, 2023, the Company had contract assets of \$2.6 million and \$6.0 million, respectively, related to lot sales and other revenue. The contract asset balance is included in other assets on the Company's consolidated balance sheets and represents cash to be received for work already performed on lot sales and other contracts. The amount of the transaction price for lot sales and other contracts remaining to be recognized as revenue for performance obligations that were not fully satisfied as of June 30, 2024 and December 31, 2023 was \$0.2 million and \$1.1 million, respectively. As of June 30, 2024, the Company had no deferred revenue related to lot sales and other revenue included in accrued expenses and other liabilities in the Company's consolidated balance sheets. As of December 31, 2023, the Company had \$0.2 million deferred revenue related to lot sales and other revenue. The Company reduces these liabilities and recognizes revenue as development progresses and the related performance obligations are completed.

Landsea Homes Corporation
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7. Notes and Other Debts Payable, net

Amounts outstanding under notes and other debts payable, net consist of the following:

	June 30, 2024	December 31, 2023
	<i>(dollars in thousands)</i>	
11.0% Senior Notes due July 2028	\$ 250,000	\$ 250,000
8.875% Senior Notes due April 2029	300,000	—
Discount and deferred loan costs	(21,548)	(13,857)
Senior Notes, net	<u>\$ 528,452</u>	<u>\$ 236,143</u>
	<i>(dollars in thousands)</i>	
Line of credit facility	\$ 231,000	\$ 315,000
Deferred loan costs	(5,345)	(7,369)
Line of credit facility, net	<u>\$ 225,655</u>	<u>\$ 307,631</u>

In April 2024, the Company completed the sale to certain purchasers of \$300.0 million of 8.875% senior notes (the “8.875% Senior Notes”, together with the 11.0% Senior Notes, the “Senior Notes”). The Company received the proceeds, net of fees, in April 2024. The 8.875% Senior Notes mature in April 2029.

In July 2023, the Company entered into a senior unsecured note (the “Note Purchase Agreement”). The Note Purchase Agreement provided for the private placement of \$250.0 million aggregate principal amount of 11.0% senior notes (the “11.0% Senior Notes”). The Company received the proceeds, net of discount and fees, in July 2023. The 11.0% Senior Notes mature in July 2028.

In October 2021, the Company entered into a line of credit agreement which was amended in April 2024 (the “Amended Credit Agreement”). The Amended Credit Agreement provides for a senior unsecured borrowing of up to \$455.0 million of which there was \$231.0 million outstanding as of June 30, 2024. As part of the amendment, the Company wrote off \$5.2 million of previously deferred financing costs associated with the line of credit facility prior to the amendment. This write-off is included in other (expense) income, net on the consolidated statements of operations. The Company may increase the borrowing capacity up to \$850.0 million, under certain conditions. Funds available under the Amended Credit Agreement are subject to a borrowing base requirement which is calculated on specified percentages of our real estate inventories. The borrowings under the Amended Credit Agreement bear interest at a daily simple Secured Overnight Financing Rate (“SOFR”) rate, a term SOFR rate, or a base rate (in each case calculated in accordance with the Amended Credit Agreement), plus, in each case, an applicable margin. The applicable margin is adjusted by reference to a grid based on a leverage ratio calculated in accordance with the Amended Credit Agreement. As of June 30, 2024, the applicable margin was 2.85%. The Amended Credit Agreement matures in April 2027. As of June 30, 2024, the interest rate on the loan was 8.16%.

The Amended Credit Agreement and the Note Purchase Agreement contain certain restrictive financial covenants, such as requirements for the Company to maintain a minimum liquidity balance, minimum tangible net worth, and leverage and interest coverage ratios. The 8.875% Senior Notes do not contain financial covenants. As of June 30, 2024, the Company was in compliance with all financial covenants.

Our Senior Notes are not secured, however, the agreements governing the Senior Notes contain some restrictions on secured debt and other transactions. Our Senior Notes are fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by most of our homebuilding segment subsidiaries. The Senior Notes are redeemable in whole or in part at any time at our option, at prices that vary based upon the remaining original term of the Senior Notes to be redeemed.

8. Commitments and Contingencies

Legal—The Company is currently involved in various legal actions and proceedings that arise from time to time and may be subject to similar or other legal and/or regulatory actions in the future. The Company is currently unable to estimate the likelihood of an unfavorable result in any such proceeding that could have a material adverse effect on the Company’s results of operations, financial position, or liquidity.

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In the fourth quarter of 2021, three insurers paid \$14.9 million on behalf of the Company and others to settle a wrongful death suit. The insurers contend they are entitled to seek reimbursement from the Company for some or all of such amounts, which the Company disputes. During October 2023, one of the insurers filed a lawsuit seeking reimbursement and the two other insurers subsequently asserted reimbursement claims in the lawsuit. However, at this time the Company is unable to predict the outcome of the insurers' claims against the Company or estimate the amount of any potential damages associated therewith.

Performance Obligations—In the ordinary course of business, and as part of the entitlement and development process, the Company's subsidiaries are required to provide performance bonds to assure completion of certain public facilities. The Company had \$124.4 million and \$109.3 million of performance bonds outstanding as of June 30, 2024 and December 31, 2023, respectively.

Warranty—Estimated future direct warranty costs are accrued and charged to cost of sales in the period when the related homebuilding revenues are recognized. Changes in the Company's warranty accrual are detailed in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	<i>(dollars in thousands)</i>			
Beginning warranty accrual	\$ 49,101	\$ 46,230	\$ 48,949	\$ 46,657
Warranty provision	2,535	1,263	4,271	2,174
Warranty payments	(2,374)	(1,266)	(3,958)	(2,604)
Ending warranty accrual	\$ 49,262	\$ 46,227	\$ 49,262	\$ 46,227

Operating Leases—The Company primarily enters into operating leases for the right to use office space, model homes, and computer and office equipment, which have remaining lease terms that range from less than 1 year up to 8 years and often include one or more options to renew. The weighted average remaining lease term as of June 30, 2024 and December 31, 2023 was 4.2 and 5.7 years, respectively. Renewal terms are included in the lease term when it is reasonably certain the option will be exercised.

During June 2024, the Company sold model homes which generated home sales revenue of \$60.8 million and cost of sales of \$57.9 million. The model homes were immediately leased back for terms ranging from 3 to 36 months. The Company determined that control of the model homes transferred to the buyer and, as a result, the transaction qualified as a sale. All of the leases from the transaction are accounted for as operating leases and the Company recorded right-of-use assets and lease liabilities of \$12.5 million in the accompanying consolidated balance sheets.

The Company established a right-of-use asset and a lease liability based on the present value of future minimum lease payments at the commencement date of the lease, or, if subsequently modified, the date of modification for active leases. As the rate implicit in each lease is not readily determinable, the Company's incremental borrowing rate is used in determining the present value of future minimum payments as of the commencement date. The weighted average rate as of June 30, 2024 and December 31, 2023 was 8.0% and 5.5%, respectively. Lease components and non-lease components are accounted for as a single lease component. As of June 30, 2024, the Company had \$24.9 million and \$26.0 million recognized as a right-of-use asset and lease liability, respectively, which are presented on the consolidated balance sheets within other assets and accrued expenses and other liabilities, respectively. As of December 31, 2023, the Company had \$11.9 million and \$13.1 million recognized as a right-of-use asset and lease liability, respectively.

Operating lease expense for the three and six months ended June 30, 2024 was \$0.9 million and \$1.6 million, respectively, and is included in general and administrative expenses on the consolidated statements of operations. Operating lease expense for the three and six months ended June 30, 2023 was \$0.8 million and \$1.9 million, respectively.

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Future minimum payments under the noncancelable operating leases in effect at June 30, 2024 were as follows(*dollars in thousands*):

2024	\$	5,293
2025		8,862
2026		5,608
2027		3,456
2028		2,384
Thereafter		4,958
Total lease payments		30,561
Less: Discount		(4,546)
Present value of lease liabilities	\$	26,015

9. Related Party Transactions

The Company continues to pay for certain costs on behalf of Landsea Holdings Corporation (“Landsea Holdings”) which was previously the majority stockholder of the Company. The Company records a due from affiliate balance for all such payments. As of June 30, 2024 and December 31, 2023, the Company had a net receivable due from affiliates balance of \$3.7 million and \$3.5 million, respectively.

In March 2024, Landsea Holdings, the Company’s then-majority stockholder, completed a registered secondary offering of the Company’s common stock. The Company did not purchase any shares of common stock that were sold by Landsea Holdings in the offering. The Company paid costs, fees, and expenses for the offering of \$0.6 million, and Landsea Holdings received all net proceeds from the sale. Landsea Holdings no longer owns greater than 50% of the Company’s common stock upon completion of the offering. As a result, the Company no longer qualifies as a “controlled company” under The Nasdaq Stock Market LLC listing standards.

In August 2023, the Company repurchased from the underwriters, at the public offering price of \$9.75 per share, 800,000 shares of common stock that were sold by Green Investment Alpha Limited (“Green Investment”), a beneficial owner of the Company, in a registered secondary offering, for a total purchase price of \$7.8 million. The Company paid costs, fees, and expenses for the offering of \$0.3 million, and Green Investment received all net proceeds from the sale. Green Investment is required to reimburse the Company for the costs, fees and expenses incurred in offering. Green Investment no longer qualified as a related party upon the completion of the offering.

In June 2023, the Company repurchased from the underwriters, at the public offering price of \$7.50 per share, 443,478 shares of common stock that were sold by Landsea Holdings, the Company’s then-majority stockholder, in a registered secondary offering, for a total purchase price of \$3.3 million. The Company paid costs, fees, and expenses for the offering of \$0.8 million, and Landsea Holdings received all net proceeds from the offering.

In June 2022, Landsea Capital Fund, who is under common control with the Company, contributed \$55.0 million to the LCF JV. The LCF JV, which is consolidated by the Company, used these proceeds to purchase undeveloped land from the Company. The Company distributed \$7.4 million and \$14.1 million to Landsea Capital Fund during the three and six months ended June 30, 2024, respectively. The Company distributed \$0.9 million and \$1.8 million to Landsea Capital Fund during the three and six months ended June 30, 2023, respectively. All intercompany transactions between the Company and the LCF JV have been eliminated upon consolidation.

In December 2021, the Company sold model homes to a related party for total consideration of \$5.2 million. As part of this transaction, the Company leased back these models. The leases completed in April 2024. The total amount of rent payments made during the three and six months ended June 30, 2024 were less than \$0.1 million and \$0.2 million, respectively. The total amount of rent payments made during the three and six months ended June 30, 2023 were \$0.2 million and \$0.4 million, respectively. As the leases ended prior to June 30, 2024, we have no remaining right-of-use asset or lease liability balances associated with this transaction. As of December 31, 2023, we had right-of-use asset and lease liability balances of \$0.5 million and \$0.5 million, respectively.

In July 2021, the Company entered into a landbank agreement for a project in its California segment with a related party. The Company will make regular payments to the related party based on an annualized rate of 7% of the undeveloped land costs while the

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land is developed and may purchase, at the Company's discretion, the lots at a predetermined price of \$8.9 million. The total amount of interest payments made during both the three and six months ended June 30, 2024 was less than \$0.1 million. The total amount of interest payments made during the three and six months ended June 30, 2023 was \$0.2 million and \$0.4 million, respectively. During the three and six months ended June 30, 2024, payments of \$4.0 million have been made to purchase the remaining land at the conclusion of the agreement as of June 30, 2024. During the three and six months ended June 30, 2023, payments of \$3.0 million and \$4.0 million, including fees, were made to purchase developed lots from the related party, respectively. Capitalized interest included in real estate inventories on the consolidated balance sheets associated with this transaction was \$0.6 million and \$1.0 million as of June 30, 2024 and December 31, 2023, respectively. Previously capitalized related party interest included in cost of sales during the three and six months ended June 30, 2024 was \$0.3 million and \$0.4 million, respectively. Previously capitalized related party interest included in cost of sales during the three and six months ended June 30, 2023 was \$0.2 million and \$0.4 million, respectively.

Landsea Holdings holds a series of notes payable to affiliated entities of its parent. The cash Landsea Holdings received from this debt was previously utilized to partially fund operations of the Company. Related party interest incurred by Landsea Holdings was historically pushed down to the Company and reflected on the consolidated balance sheets of the Company, primarily in real estate inventories, and on the consolidated statements of operations in cost of sales. Refer to *Note 5 – Capitalized Interest* for further detail. As the Company did not guarantee the notes payable nor have any obligations to repay the notes payable, and as the notes payable were not assigned to the Company, the notes payable do not represent a liability of the Company and accordingly have not been reflected in the consolidated balance sheets. Additionally, in connection with the Merger (as defined below), the Company is precluded from repaying Landsea Holdings' notes payable to the affiliated entities of its parent. Therefore, beginning January 7, 2021, additional interest from these notes payable is no longer pushed down to the Company. Capitalized interest included in real estate inventories on the consolidated balance sheets associated with this transaction was \$0.3 million and \$0.4 million as of June 30, 2024 and December 31, 2023, respectively. Previously capitalized related party interest included in cost of sales during both the three and six months ended June 30, 2024 was \$0.1 million. Previously capitalized related party interest included in cost of sales during the three and six months ended June 30, 2023 was \$0.5 million and \$1.3 million, respectively.

10. Income Taxes

Income taxes for the three and six months ended June 30, 2024 was \$1.4 million and \$1.3 million, respectively. Income taxes for the three and six months ended June 30, 2023 was \$1.6 million and \$3.3 million, respectively. The effective tax rate for the three and six months ended June 30, 2024 was 29.8% and 25.2% compared to a provision of 21.8% and 24.6% for the three and six months ended June 30, 2023. The difference between the statutory tax rate and the effective tax rate for the three and six months ended June 30, 2024 is primarily related to state income taxes net of federal income tax benefits and estimated deduction limitations for executive compensation under Section 162(m), partially offset by tax credits for energy-efficient homes and excess tax benefits on share-based compensation. The difference between the statutory tax rate and the effective tax rate for the three and six months ended June 30, 2023 is primarily related to state income taxes net of federal income tax benefits and estimated deduction limitations for executive compensation under Section 162(m), partially offset by tax credits for energy-efficient homes.

The accounting for deferred taxes is based upon estimates of future results. Differences between the anticipated and actual outcomes of these future results could have a material impact on the Company's consolidated results of operations or financial position. Also, changes in existing federal and state tax laws and tax rates could affect future tax results and the valuation of the Company's deferred tax assets.

11. Segment Reporting

The Company is engaged in the acquisition, development, and sale of homes and lots in multiple states across the country. The Company is managed by geographic location and each of the six geographic regions targets a wide range of buyer profiles including: first time, move-up, and luxury homebuyers.

Management of the six geographic regions report to the Company's chief operating decision makers ("CODMs"), the Chief Executive Officer and Chief Operating Officer of the Company. The CODMs review the results of operations, including total revenue

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and pretax income to assess profitability and to allocate resources. Accordingly, the Company has presented its operations as the following six reportable segments:

- Arizona
- California
- Colorado
- Florida
- Metro New York
- Texas

The Company has also identified its Corporate operations as a non-operating segment, as it serves to support the homebuilding operations through functional departments such as executive, finance, treasury, human resources, accounting, and legal. The majority of Corporate personnel and resources are primarily dedicated to activities relating to operations and are allocated based on each segment's respective percentage of assets, revenue, and dedicated personnel.

The following table summarizes total revenue and pretax income by segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<i>(dollars in thousands)</i>				
Revenue				
Arizona	\$ 108,170	\$ 72,103	\$ 187,655	\$ 145,692
California	134,211	99,516	266,105	166,774
Colorado	10,201	—	19,055	—
Florida	131,052	121,625	204,112	216,682
Metro New York	4,475	—	4,475	1,649
Texas	43,034	—	43,782	4,187
Total revenues	<u>\$ 431,143</u>	<u>\$ 293,244</u>	<u>\$ 725,184</u>	<u>\$ 534,984</u>
Pretax income (loss)				
Arizona	\$ 4,354	\$ (610)	\$ 4,833	\$ (427)
California	10,997	4,452	19,208	7,389
Colorado	(928)	—	(2,080)	—
Florida	6,059	11,388	5,824	19,615
Metro New York	(1,758)	(298)	(2,249)	(901)
Texas	(2,802)	(1,441)	(4,738)	(2,761)
Corporate	(11,317)	(5,985)	(15,489)	(9,669)
Total pretax income	<u>\$ 4,605</u>	<u>\$ 7,506</u>	<u>\$ 5,309</u>	<u>\$ 13,246</u>

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The following table summarizes total assets by segment:

	June 30, 2024	December 31, 2023
	<i>(dollars in thousands)</i>	
Assets		
Arizona	\$ 329,895	\$ 336,424
California	449,541	479,218
Colorado	35,464	27,240
Florida	430,071	425,154
Metro New York	39,692	42,047
Texas	357,264	60,255
Corporate	100,983	100,894
Total assets	\$ 1,742,910	\$ 1,471,232

Included in the Corporate segment assets is cash and cash equivalents of \$65.2 million and \$65.2 million as of June 30, 2024 and December 31, 2023, respectively.

As of June 30, 2024 goodwill of \$83.7 million, \$47.9 million and \$20.7 million was allocated to the Texas, Florida, and Arizona segments, respectively. As of December 31, 2023, goodwill of \$47.9 million and \$20.7 million was allocated to the Florida and Arizona segments, respectively.

12. Fair Value

ASC 820, *Fair Value Measurement*, defines fair value as the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and requires assets and liabilities carried at fair value to be classified and disclosed in the following three categories:

Level 1 — Quoted prices for identical instruments in active markets.

Level 2 — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are inactive; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets at measurement date.

Level 3 — Valuations derived from techniques where one or more significant inputs or significant value drivers are unobservable in active markets at measurement date.

The following table presents carrying values and estimated fair values of financial instruments:

	Hierarchy	June 30, 2024		December 31, 2023	
		Carrying Value	Fair Value	Carrying Value	Fair Value
<i>(dollars in thousands)</i>					
Liabilities:					
Line of credit facility ⁽¹⁾	Level 2	\$ 231,000	\$ 231,000	\$ 315,000	\$ 315,000
11.0% Senior Notes	Level 2	\$ 250,000	\$ 261,250	\$ 250,000	\$ 257,500
8.875% Senior Notes	Level 2	\$ 300,000	\$ 295,875	\$ —	\$ —

(1) Carrying amount approximates fair value due to the variable interest rate terms of this loan. Carrying value excludes any associated deferred loan costs.

The carrying values of receivables, deposits, and other assets as well as accounts payable and accrued liabilities approximate the fair value for these financial instruments based upon an evaluation of the underlying characteristics, market data, and because of

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the short period of time between origination of the instruments and their expected realization. The fair value of cash and cash equivalents is classified in Level 1 of the fair value hierarchy.

Non-financial assets such as real estate inventories and goodwill are measured at fair value on a non-recurring basis using a discounted cash flow approach with Level 3 inputs within the fair value hierarchy. This measurement is performed when events and circumstances indicate the asset's carrying value is not fully recoverable. During the three and six months ended June 30, 2024, the Company did not recognize any impairments on real estate inventories or goodwill. During the three and six months ended June 30, 2023, it was determined that real estate inventories with a carrying value of \$24.1 million within one community in the California segment was not expected to be fully recoverable. Accordingly, a real estate inventories impairment charge was recognized in the amount of \$4.7 million to reflect the estimated fair value of the community of \$19.4 million. Refer to *Note 4 – Real Estate Inventories* for additional information.

13. Stock-Based Compensation

The following table presents a summary of the Company's nonvested performance share units ("PSUs") and restricted stock units ("RSUs") for the six months ended June 30, 2024:

	Awards <i>(in thousands)</i>	Weighted Average Grant Date Fair Value
Nonvested, at December 31, 2023	1,488	\$ 8.74
Granted	485	8.34
Vested	(274)	9.33
Forfeited	(39)	9.44
Nonvested, at June 30, 2024	1,660	\$ 8.51

The following table presents a summary of the Company's stock options activity for the six months ended June 30, 2024:

	Number of Shares <i>(in thousands)</i>	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term <i>(in years)</i>	Aggregate Intrinsic Value <i>(in thousands)</i>
Options outstanding at December 31, 2023	684	\$ 8.08		
Granted	303	12.44		
Exercised	(101)	8.36		
Forfeited	(83)	10.00		
Options outstanding at June 30, 2024	803	\$ 9.49	8.35	\$ 605
Options exercisable at June 30, 2024	286	\$ 8.39	7.24	\$ 228

Stock-based compensation expense totaled \$0.9 million and \$1.5 million during the three and six months ended June 30, 2024, respectively, and is included in general and administrative expenses on the consolidated statements of operations. For the three and six months ended June 30, 2023, stock-based compensation expense totaled \$1.7 million and \$1.4 million, respectively. Net stock-based compensation activity during the three months ended March 31, 2023 resulted in a reduction to expense due to the forfeiture of certain options as well as the revised estimates on the expected PSU achievement.

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The following table presents a summary of the Company’s outstanding RSUs and PSUs, assuming the current estimated level of performance achievement:

	June 30, 2024	
	<i>(in thousands, except period)</i>	
Unvested units		1,660
Remaining cost on unvested units	\$	3,130
Remaining vesting period		2.91 years

Stock-based compensation expense associated with the outstanding RSUs and PSUs is measured using the grant date fair value which is based on the closing price as of the grant date. The expense associated with the PSUs also incorporates the estimated achievement of the established performance criteria at the end of each reporting period until the performance period ends.

14. Stockholders’ Equity

The Company’s authorized capital stock consists of 500.0 million shares of common stock with a par value of \$0.0001 per share, and 50.0 million shares of preferred stock with a par value of \$0.0001 per share. As of June 30, 2024, there were 41.7 million shares of common stock issued and 36.3 million outstanding, and no shares of preferred stock issued or outstanding. All outstanding shares of common stock are validly issued, fully paid and nonassessable.

Stock Repurchases

In March 2023, the Board of Directors authorized a stock repurchase program allowing for the repurchase of up to \$10.0 million worth of common stock, with an expiration of December 31, 2023. In July 2023, the Board of Directors authorized additional capacity of approximately \$3.3 million, with an expiration date of December 31, 2023, and an additional \$10.0 million with no stated expiration date. In October 2023, the Board of Directors authorized additional capacity of \$20.0 million with no stated expiration date. No additional stock repurchase authorizations occurred during the six months ended June 30, 2024.

During the six months ended June 30, 2024, the Company repurchased 534,436 shares of common stock for a total of \$6.4 million, excluding commissions, which was recorded as a reduction to additional paid-in capital. During the three months ended June 30, 2024, the Company did not repurchase any shares of common stock. As of June 30, 2024, the Company had approximately \$2.5 million in remaining capacity from previous authorizations. During the three and six months ended June 30, 2023, the Company repurchased 968,869 shares of common stock for a total of \$7.5 million, excluding commissions, which was recorded as a reduction to additional paid-in capital. A portion of these shares were repurchased directly from the Company’s majority shareholder at the time. Refer to *Note 9 – Related Party Transactions* for additional information.

The timing and amount of repurchases are based on a variety of factors such as the market price of the Company's common stock, corporate and contractual requirements, market and economic conditions, and legal requirements.

Merger Transaction

On August 31, 2020, Landsea Homes and Landsea Holdings entered into an Agreement and Plan of Merger (the “Merger Agreement”) with LF Capital Acquisition Corp. (“LF Capital”) and LFCA Merger Sub, Inc. (the “Merger Sub”), a direct, wholly-owned subsidiary of LF Capital. The Merger Agreement provided for, among other things, the merger of Merger Sub with and into Landsea Homes Incorporated (“LHI”), previously a wholly-owned subsidiary of Landsea Holdings, with LHI continuing as the surviving corporation (the “Merger”). On January 7, 2021 (the “Closing Date”), the Merger was consummated pursuant to the Merger Agreement (the “Closing”). The name of LF Capital was changed at that time to Landsea Homes Corporation.

Upon closing of the Merger, Level Field Capital, LLC (the “Sponsor”) held 1.0 million shares that were subject to surrender and forfeiture for no consideration in the event the common stock did not reach certain thresholds during the 24-month period following the closing of the Merger (the “Earnout Shares”). The Sponsor transferred 0.5 million Earnout Shares to Landsea Holdings. In January 2023, the Company concluded that the threshold for the Earnout Shares was not met and therefore those shares were forfeited and cancelled.

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Warrants

As of June 30, 2024, there were 15,525,000 outstanding warrants consisting entirely of public warrants (the “Warrants”). At the time of the Merger, the Warrant Agreement was amended so that each public warrant is exercisable at \$1.15 for one tenth of a share of common stock. As part of the amendment, each holder of the public warrants received \$1.85 per warrant for a total of \$28.7 million paid by the Company upon closing of the Merger. The Warrants will expire five years after the completion of the Merger or earlier upon redemption or liquidation.

The Company may call the public warrants for redemption:

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon a minimum of 30 days’ prior written notice of redemption; and
- if, and only if, the last reported closing price of the shares equals or exceeds \$8.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders.

If the Company calls the public warrants for redemption, management will have the option to require all holders that wish to exercise the public warrants to do so on a “cashless basis,” as described in the Warrant Agreement.

The exercise price and number of common shares issuable upon exercise of the Warrants may be adjusted in certain circumstances including in the event of a share dividend, or recapitalization, reorganization, merger or consolidation. However, the Warrants will not be adjusted for issuance of common shares at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the Warrants shares. Accordingly, the Warrants may expire worthless.

15. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (“EPS”) for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	<i>(dollars in thousands, except share and per share amounts)</i>			
Numerator				
Net income attributable to common stockholders	\$ 2,885	\$ 4,947	\$ 3,075	\$ 8,165
Denominator				
Weighted average common shares outstanding - basic	36,199,850	39,891,982	36,239,765	39,944,549
Dilutive effect of warrants	—	—	12,575	—
Dilutive effect of options	77,029	—	114,851	—
Dilutive effect of share-based awards	92,948	79,749	191,671	115,182
Weighted average common shares outstanding - diluted	<u>36,369,827</u>	<u>39,971,731</u>	<u>36,558,862</u>	<u>40,059,731</u>
Earnings per share				
Basic	<u>\$ 0.08</u>	<u>\$ 0.12</u>	<u>\$ 0.08</u>	<u>\$ 0.20</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 0.12</u>	<u>\$ 0.08</u>	<u>\$ 0.20</u>

The Company excluded 1.8 million and 0.2 million common stock equivalents from diluted EPS related to antidilutive equity instruments during the three and six months ended June 30, 2024, respectively. For the three months ended June 30, 2024, the antidilutive effect is primarily attributable to the warrants. During the three-month period, the average stock price of the Company was below the strike price of the warrants, whereas during the six months ended June 30, 2024, the average stock price exceeded the warrants’ strike price. The Company excluded 2.5 million and 2.2 million common stock equivalents from diluted EPS related to antidilutive equity instruments during the three and six months ended June 30, 2023, respectively.

Landsea Homes Corporation
Notes to the Consolidated Financial Statements - (unaudited)

16. Supplemental Disclosures of Cash Flow Information

The following table presents certain supplemental cash flow information:

	Six Months Ended June 30,	
	2024	2023
	<i>(dollars in thousands)</i>	
Supplemental disclosures of cash flow information		
Interest paid, net of amounts capitalized	\$ —	\$ —
Income taxes paid	\$ 7,600	\$ 6,691
Supplemental disclosures of non-cash investing and financing activities		
Change in right-of-use assets for new, modified, or terminated operating leases	\$ 14,296	\$ 338
Conversion of deferred offering costs to debt issuance costs	\$ 5,140	\$ —

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with and is qualified in its entirety by the consolidated financial statements and notes thereto included elsewhere in this document. This item contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in the section entitled “Risk Factors” of our Annual Report on Form 10-K, filed with the Securities and Exchange Commission (the “SEC”) on February 29, 2024. This section discusses certain items in the three and six months ended June 30, 2024 and 2023 and year-to-year comparisons between those periods. References to “we”, “Landsea Homes”, the “Company”, “us”, or “our” refer to Landsea Homes Corporation.

Consolidated Financial Data

The following table summarizes our unaudited results of operations for the six months ended June 30, 2024 and 2023.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	<i>(dollars in thousands, except per share amounts)</i>		<i>(dollars in thousands, except per share amounts)</i>	
Revenue				
Home sales	\$ 418,182	\$ 291,512	\$ 710,774	\$ 532,137
Lot sales and other	12,961	1,732	14,410	2,847
Total revenues	431,143	293,244	725,184	534,984
Cost of sales				
Home sales	355,736	240,835	604,633	437,889
Lot sales and other	11,231	1,748	12,914	2,461
Total cost of sales	366,967	242,583	617,547	440,350
Gross margin				
Home sales	62,446	50,677	106,141	94,248
Lot sales and other	1,730	(16)	1,496	386
Total gross margin	64,176	50,661	107,637	94,634
Sales and marketing expenses	24,663	18,334	43,151	34,742
General and administrative expenses	29,555	25,980	55,637	48,760
Total operating expenses	54,218	44,314	98,788	83,502
Income from operations	9,958	6,347	8,849	11,132
Other (expense) income, net	(5,353)	1,159	(3,540)	2,114
Pretax income	4,605	7,506	5,309	13,246
Provision for income taxes	1,370	1,640	1,340	3,257
Net income	3,235	5,866	3,969	9,989
Net income attributable to noncontrolling interests	350	919	894	1,824
Net income attributable to Landsea Homes Corporation	\$ 2,885	\$ 4,947	\$ 3,075	\$ 8,165
Income per share:				
Basic	\$ 0.08	\$ 0.12	\$ 0.08	\$ 0.20
Diluted	\$ 0.08	\$ 0.12	\$ 0.08	\$ 0.20
Weighted average common shares outstanding:				
Basic	36,199,850	39,891,982	36,239,765	39,944,549
Diluted	36,369,827	39,971,731	36,558,862	40,059,731

Business Overview

Driven by a commitment to sustainability, we design and build homes and communities in Arizona, California, Colorado, Florida, Metro New York, and Texas. We create inspired spaces for modern living and feature homes and communities in vibrant, prime locations which connect seamlessly with their surroundings and enhance the local lifestyle for living, working, and playing. The defining principle, “Live in Your Element®,” creates the foundation for our customers to live where they want to live, how they want to live – in a home created especially for them.

We are engaged in the acquisition, development, and sale of homes and lots in six states: Arizona, California, Colorado, Florida, New York, and Texas, which also comprise the Company’s six reportable segments. We build and sell an extensive range of home types across a variety of price points, but we focus our efforts on the first-time homebuyer. Our Corporate operations are a non-operating segment that supports our homebuilding operations by providing executive, finance, treasury, human resources, accounting, and legal services.

In April 2024, the Company completed the acquisition of Antares Acquisition, LLC (“Antares”), a Dallas Fort Worth based homebuilder, for approximately \$239.8 million (subject to certain customary post-closing adjustments) using a combination of cash on hand and borrowing under the Company’s existing credit facility, which included repayment of approximately \$40.2 million of Antares’ debt. The Antares acquisition increased our presence in Texas with approximately 2,100 lots owned or controlled at the time of acquisition. We believe this acquisition fits with and continues to advance our overall business strategy by expanding into new and diverse markets.

In October 2023, the Company expanded into the Colorado market by acquiring certain assets of Richfield Homes, LLC (“Richfield”). The Company paid an aggregate cash purchase price of \$22.5 million to acquire approximately 290 owned or controlled lots in the greater Denver, Colorado area, including any construction in progress on those lots. This acquisition was accounted for as an asset acquisition. We believe this acquisition fits with and continues to advance our overall business strategy by allowing us to expand into new geographic markets and to continue to shift inventory and product to more affordable offerings.

We manage inventory challenges by partnering with suppliers that can dedicate their attention and products to us, leveraging operational forecasts to assist in making purchase orders with sufficient lead time, using standard size products that are interchangeable, and holding select products on hand to ensure availability. In recent periods we have focused on being strategic in the contracts we enter into and the vendors we use. Over the last few quarters, we have seen improvements in our cycle time from beginning construction on a home to final delivery to the homebuyer. We believe these steps will allow us to continue to shorten our construction cycle time. Costs of construction have generally increased over recent quarters at a moderate pace. Higher construction costs to build our homes are primarily being driven by increased land costs in the markets we operate in and financing costs driving by higher interest rates.

Sustained higher mortgage interest rates have amplified challenges to affordability for many potential homebuyers and put pressure on demand across the nation. While our absorption and cancellation rates have stabilized to a large extent as many homebuyers acclimated to a higher interest rate environment, continued inflation, and the potential for interest rates to remain high, continues to cause affordability concerns and market uncertainty. These concerns continue to cause challenges across the homebuilding industry during the first half of 2024. Although we expect mortgage interest rates to begin decreasing later in 2024, there can be no assurance as to the timing and magnitude of future federal funds rate changes by the Federal Reserve. These rate changes ultimately drive mortgage interest rates and can significantly influence our absorption and cancellation rates. Even as rates show signs of easing, some homebuyers, anticipating further decreases in rates, may continue to delay purchasing a home. In light of these expectations, we are focusing our sales and marketing efforts on addressing affordability through a commitment to lower fixed interest rate incentive programs as well as providing purchase incentives, subject to managing our inventory levels in the market. We manage certain nationwide marketing programs, however incentives are specifically tailored to the circumstances of each community. We regularly perform stress tests on our backlog to identify homebuyers that are most likely to cancel their sales contracts, without intervention, due to higher costs from rising interest rates.

During 2024, we launched our exclusive financial services, Landsea Elements, which provides end-to-end support for our homebuyers through our existing services, Landsea Mortgage and Landsea Title, along with our newest offering, Landsea Insurance Agency. Through a licensing agreement, we partner with NFM Lending as a preferred lender to provide mortgage services under the name Landsea Mortgage. In connection with this arrangement, we have focused many of our incentives on mortgage interest rates and assisting homebuyers with buydowns on their home loans. This focus has helped achieve certain goals related to sales pace and

absorption, but these additional discounts and incentives have lowered revenue and gross margins. We continue to monitor the credit worthiness of our homebuyers with NFM Lending with the objective of converting as many of our sales as possible into successful home deliveries. In addition to Landsea Mortgage, we offer title and insurance services through Landsea Title and Landsea Insurance Agency, respectively. Together we believe these offerings, bundled under the umbrella of Landsea Elements, provide significant value to potential homebuyers in facilitating the home buying process and additional opportunities for us to generate positive returns while managing and converting sales to deliveries with additional insights throughout the home buying process.

In March 2024, Landsea Holdings Corporation (“Landsea Holdings”), the Company’s then-majority stockholder, completed an underwritten secondary offering of approximately 2.8 million shares of the Company’s common stock. The Company did not receive any proceeds from the sale of shares by Landsea Holdings. The Company paid costs, fees, and expenses for the offering of \$0.6 million. Immediately following completion of such sale by Landsea Holdings, the aggregate beneficial ownership of Landsea Holdings fell below 50% of our outstanding shares of common stock. As a result, we no longer qualify as a “controlled company” under The Nasdaq Stock Market LLC listing standards.

Strategy

Our strategy is focused on maximizing stockholder returns through profitability and efficiency, while balancing appropriate amounts of leverage. In general, we are focused on the following long-term strategic objectives:

- Expand community count in current markets and enhance operating returns
- Maintain an appropriate supply of lots
- Continue to focus on entry-level product offerings
- Strengthen unique brand position through product differentiation
- Continue geographic expansion and diversification into new markets
- Leverage existing sales, marketing, and general and administrative base to enhance stockholder returns and profitability
- Become a top-ten homebuilder in the United States

Non-GAAP Financial Measures

Non-GAAP financial measures are defined as numerical measures of a company’s performance that exclude or include amounts so as to be different than the most comparable measures calculated and presented in accordance with accounting principles generally accepted in the United States (“GAAP”). The presentation of non-GAAP financial measures should not be considered in isolation or as a substitute for the Company’s related financial results prepared in accordance with GAAP.

We present non-GAAP financial measures of adjusted home sales gross margin, net debt to total capital, earnings before interest, taxes, depreciation, and amortization (“EBITDA”) and adjusted EBITDA, and adjusted net income in their respective sections below to enhance an investor’s evaluation of the ongoing operating results and to facilitate meaningful comparison of the results between periods. Management uses these non-GAAP measures to evaluate the ongoing operations and for internal planning and forecasting.

Summary Results of Operations

For the six months ended June 30, 2024, home sales revenue increased 34% to \$710.8 million from \$532.1 million and home deliveries increased 25% to 1,265 units from 1,011 units, in each case as compared to the same period in the prior year. The increase in home sales revenue and home deliveries year-over-year is primarily the result of improvements in our California and Arizona segments as well as the addition of Antares in our Texas segment and Richfield to begin our Colorado segment. The results were also impacted by the sale of model homes which we immediately leased back. The model home sales generated \$60.8 million and \$57.9 million in home sales revenue and cost of sales, respectively. These improvements were partially offset by challenges to affordability across all of our operating segments as mortgage interest rates remain high and more incentives are required to sustain demand. In total, net income for the six months ended June 30, 2024 was \$4.0 million compared to \$10.0 million in the corresponding prior year period.

We remain focused on growth and view our ability to maintain optimal leverage ratios as a key factor in obtaining the financing required in order to expand. While we have grown organically and through acquisitions in recent years, we have been able to act on our strategy and be opportunistic about acquisitions and other growth opportunities. Our debt to capital ratio increased to 52.8%

as of June 30, 2024 following the acquisition of Antares compared to 44.1% as of December 31, 2023. Our net debt to total capital ratio (a non-GAAP financial measure; see below for the definition and reconciliation to the most directly comparable GAAP measure) increased to 45.4% as of June 30, 2024 compared to 30.4% as of December 31, 2023. We believe the continued strength of our balance sheet and operating platform position us well to continue to execute our growth strategy and are focused on reducing our leverage ratios over time.

We anticipate the homebuilding markets in each of our operating segments to be tied to both the local economy and the macro-economic environment. Accordingly, net orders, home deliveries, and average selling price (“ASP”) can be negatively affected by economic conditions, such as rising interest rates, decreases in employment and median household incomes, as well as decreases in household formations and increasing supply of inventories. Shortages in labor or materials can also significantly increase costs, reduce gross margins, and lower our overall profitability. During the six months ended June 30, 2024 we observed improved absorption rates in all markets, except California, compared to the same period in the prior year, primarily due to successful sales promotions that have helped generate sales, partially offset by continued high mortgage interest rates and concerns about home affordability. In California, with limited exceptions, our current product offerings are at a slightly higher price point than the comparable period in the prior year and therefore a lower absorption is to be expected. Mortgage interest rates continue to be a primary concern for homebuyers and while we continue to see stabilization in most markets, homebuyers continue to be sensitive to mortgage interest rate increases. Our results have been impacted, and could be further impacted, by continued challenges in home affordability as a result of price appreciation, increases in mortgage interest rates, or tightening of mortgage lending standards.

Net New Home Orders, Dollar Value of Orders, and Monthly Absorption Rates

Changes in the dollar value of net new orders are impacted by changes in the number of net new orders and the ASP of those homes. Monthly Absorption Rate is calculated as total net new orders per period, divided by the average active communities during the period, divided by the number of months per period. Commentary on significant changes for each of the segments in these metrics is provided below.

	Three Months Ended June 30,											
	2024				2023				% Change			
	Homes	Dollar Value	ASP	Monthly Absorption Rate	Homes	Dollar Value	ASP	Monthly Absorption Rate	Homes	Dollar Value	ASP	Monthly Absorption Rate
	<i>(dollars in thousands)</i>											
Arizona	219	\$ 100,448	\$ 459	3.5	186	\$ 79,263	\$ 426	3.6	18 %	27 %	8 %	(3 %)
California	128	102,158	798	4.4	216	181,466	840	5.9	(41 %)	(44 %)	(5)%	(25 %)
Colorado	34	14,920	439	3.8	—	—	N/A	—	N/A	N/A	N/A	N/A
Florida	286	133,078	465	3.2	163	63,686	391	1.9	75 %	109 %	19 %	68 %
Metro New York	—	—	N/A	N/A	—	—	N/A	—	N/A	N/A	N/A	N/A
Texas	93	39,146	421	1.5	—	—	N/A	—	N/A	N/A	N/A	N/A
Total	760	\$ 389,750	\$ 513	3.0	565	\$ 324,415	\$ 574	3.3	35 %	20 %	(11)%	(9 %)

	Six Months Ended June 30,											
	2024				2023				% Change			
	Homes	Dollar Value	ASP	Monthly Absorption Rate	Homes	Dollar Value	ASP	Monthly Absorption Rate	Homes	Dollar Value	ASP	Monthly Absorption Rate
	<i>(dollars in thousands)</i>											
Arizona	452	\$ 203,963	\$ 451	3.6	338	\$ 142,008	\$ 420	3.4	34 %	44 %	7 %	6 %
California	235	210,483	896	4.0	380	317,693	836	5.3	(38 %)	(34 %)	7 %	(25 %)
Colorado	57	25,791	452	3.8	—	—	N/A	N/A	N/A	N/A	N/A	N/A
Florida	522	242,611	465	3.0	341	143,024	419	2.0	53 %	70 %	11 %	50 %
Metro New York	1	4,475	4,475	N/A	—	—	N/A	N/A	N/A	N/A	N/A	N/A
Texas	105	43,841	418	1.6	4	4,194	1,049	1.3	2525 %	945 %	(60)%	23 %
Total	1,372	\$ 731,164	\$ 533	3.1	1,063	\$ 606,919	\$ 571	3.1	29 %	20 %	(7)%	— %

In the Arizona segment, for both the three and six months ended June 30, 2024, we experienced improvements across most of the metrics outlined above compared to the prior year period. We believe this was due to the continued use of sales programs throughout a challenging environment for affordability. Interest rates had a significant impact on our Arizona segment during the three and six months ended June 30, 2023, and resulted in lower net orders at that time. Although interest rates continue to be high, we have seen the market partially stabilize around those higher rates and expectations. While we continue to use targeted incentives, ASP increased and we experienced a significant amount of business during the period, resulting in a significant increase in net new orders. Even though these metrics improved during the three and six months ended June 30, 2024, the continued higher inflationary and interest rate environment may continue to present challenges to our business throughout all of our segments.

In the California segment, the decrease in net new orders' count and dollar value for both the three six months ended June 30, 2024, compared to the corresponding prior period was primarily due to community turnover along with continued challenges from the current interest rate environment. We are in the process of transitioning from some of our larger projects to new projects which are just beginning to sell. These communities have varied price points. In the months leading up to the three months ended June 30, 2024, we substantially sold out three older communities which provided a significant number of orders and dollar value during the comparable period. Additionally, during the first three months of 2024, we had primarily been selling homes in communities with higher price points while one of the new communities we opened during the three months ended June 30, 2024, has a sales price at a more attainable price point for the local market and we saw significant sales in that community. This change in product mix for the period contributed to the decrease in our overall ASP. Like other markets, California continues to see challenges from higher interest rates and there is still uncertainty about the long-term trends as consumers continue evaluating prices and overall payments in the current environment.

Our operations in our Colorado segment began in October 2023 with the acquisition of the assets of Richfield. During the three and six months ended June 30, 2024, the Colorado segment had 34 and 57 net new home orders with ASPs of \$0.4 million and \$0.5 million, respectively.

Our Florida segment has shown improvement across all net new home order metrics for both the three and six months ended June 30, 2024, compared to the corresponding prior period. Additional incentives continue to be key for this segment in selling homes at our desired pace. While this has kept ASPs from rising even higher, we were able to drive more net new orders at a quicker pace. We continue to strive for the right balance between incentives and sales pace and are seeing the greater absorption that we have been striving for in the market. As with our other segments, buyers are still sensitive to interest rate increases which may continue to present additional challenges as higher interest rates continue to remain in place.

The Metro New York segment has one community, with only one residential unit and a retail space remaining to sell and deliver as of June 30, 2024.

During the three and six months ended June 30, 2024, our Texas segment began integrating the operations of Antares following the acquisition in April 2024. This led to an increase in net new home orders, dollar value, and absorption compared to the comparable prior periods. We expect new orders to rise throughout the year as we continue to expand our footprint in Texas and build our reputation in the areas where our communities are located.

Average Selling Communities

Average selling communities is the sum of communities actively selling homes each month, divided by the total months in the calculation period.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Arizona	20.7	17.0	22 %	21.0	16.5	27 %
California	9.7	12.3	(21 %)	9.7	12.0	(19 %)
Colorado	3.0	—	N/A	2.5	—	N/A
Florida	29.6	28.0	6 %	29.4	28.8	2 %
Metro New York	—	—	N/A	—	—	N/A
Texas	21.0	—	N/A	10.7	0.5	2,040 %
Total	84.0	57.3	47 %	73.3	57.8	27 %

Home Deliveries and Home Sales Revenue

The changes in home sales revenue are the result of changes in the number of homes delivered and the ASP of those delivered homes. Commentary on significant changes for each of the segments in these metrics is provided below.

	Three Months Ended June 30,								
	2024			2023			% Change		
	Homes	Dollar Value	ASP	Homes	Dollar Value	ASP	Homes	Dollar Value	ASP
	<i>(dollars in thousands)</i>								
Arizona	213	\$ 96,251	\$ 452	160	\$ 70,590	\$ 441	33 %	36 %	2 %
California	139	134,211	966	115	99,516	865	21 %	35 %	12 %
Colorado	24	10,201	425	—	—	N/A	N/A	N/A	N/A
Florida	285	130,010	456	264	121,406	460	8 %	7 %	(1)%
Metro New York	1	4,475	4,475	—	—	N/A	N/A	N/A	N/A
Texas	98	43,034	439	—	—	N/A	N/A	N/A	N/A
Total	760	\$ 418,182	\$ 550	539	\$ 291,512	\$ 541	41 %	43 %	2 %

	Six Months Ended June 30,								
	2024			2023			% Change		
	Homes	Dollar Value	ASP	Homes	Dollar Value	ASP	Homes	Dollar Value	ASP
	<i>(dollars in thousands)</i>								
Arizona	396	\$ 174,992	\$ 442	330	\$ 143,124	\$ 434	20 %	22 %	2 %
California	285	266,105	934	200	166,774	834	43 %	60 %	12 %
Colorado	41	19,055	465	—	—	N/A	N/A	N/A	N/A
Florida	442	202,365	458	476	216,396	455	(7)%	(6)%	1 %
Metro New York	1	4,475	4,475	1	1,649	1,649	—%	171 %	171 %
Texas	100	43,782	438	4	4,194	1,049	2400 %	944 %	(58)%
Total	1,265	\$ 710,774	\$ 562	1,011	\$ 532,137	\$ 526	25 %	34 %	7 %

Our Arizona segment delivered more homes at higher price points during both the three and six months ended June 30, 2024 compared to the corresponding prior periods. The increase in home deliveries, revenue, and ASP was primarily the result of increased new home orders in recent quarters with higher price points. We have also seen some stabilization in incentives needed to deliver homes during the three and six months ended June 30, 2024 compared to the corresponding prior periods, however market uncertainty remains and future deliveries may require additional incentives until interest rates improve further.

Our California segment delivered more homes at higher price points during both the three and six months ended June 30, 2024 compared to the corresponding prior periods. The increase in home deliveries, revenue, and ASP during the three and six months ended June 30, 2024, was driven primarily by new communities at which we are closing homes mostly with slightly higher price points. We delivered these homes with fewer incentives than were required in the comparable prior periods, however market uncertainty remains and future deliveries may require additional incentives until interest rates improve further.

We began operations in the Colorado segment in October 2023 following the acquisition of the assets of Richfield. For the three and six months ended June 30, 2024, the Colorado segment delivered 24 and 41 homes and generated \$10.2 million and \$19.1 million in home sales revenue, respectively.

Our Florida segment delivered fewer homes during the six months ended June 30, 2024 compared to the same period in the prior year, however we saw improvement during the three months ended June 30, 2024 compared to the prior year. The decrease during the first quarter of 2024 was the result of fewer net new orders in prior periods as customers grappled with higher mortgage interest rates. As noted above, net new orders have risen as a result of additional sales programs we have implemented and continued incentives. Those greater sales are beginning to bolster deliveries in the current quarter and we expect that momentum to continue in the near term. Similar to our other segments, market uncertainty and concerns of affordability remain and could impact future results further.

The Metro New York segment has one community and delivered one of its final two residential units during the three and six months ended June 30, 2024. The segment has only one more residential unit and a retail space remaining to deliver as of June 30, 2024.

During the three and six months ended June 30, 2024, our Texas segment began integrating the operations of Antares following the acquisition in April 2024. This led to an increase in net new home orders and dollar value compared to the comparable prior periods. We expect new orders to rise throughout the year as we continue to expand our footprint in Texas and build our reputation in the areas where our communities are located.

Home Sales Gross Margins

Home sales gross margin measures the price achieved on delivered homes compared to the costs incurred to build the home. In the following table, we calculate gross margins adjusting for interest in cost of sales, real estate inventories impairment, and purchase price accounting for acquired work in process inventory. We believe the below information is meaningful as it isolates the impact that indebtedness, real estate inventories impairment, and acquisitions have on the gross margins and allows for comparability

to previous periods and competitors. See *Note 2 – Business Combination and Asset Acquisition* within the accompanying notes to the consolidated financial statements for additional discussion regarding acquired work in process inventory.

	Three Months Ended June 30,			
	2024	%	2023	%
	<i>(dollars in thousands)</i>			
Home sales revenue	\$ 418,182	100.0 %	\$ 291,512	100.0 %
Cost of home sales	355,736	85.1 %	240,835	82.6 %
Home sales gross margin	62,446	14.9 %	50,677	17.4 %
Add: Interest in cost of home sales	17,074	4.1 %	7,276	2.5 %
Add: Real estate inventories impairment	—	— %	4,700	1.6 %
Adjusted home sales gross margin excluding interest and real estate inventories impairment ⁽¹⁾	79,520	19.0 %	62,653	21.5 %
Add: Purchase price accounting for acquired inventory	8,619	2.1 %	5,710	2.0 %
Adjusted home sales gross margin excluding interest, real estate inventories impairment, and purchase price accounting for acquired inventory ⁽¹⁾	\$ 88,139	21.1 %	\$ 68,363	23.5 %

	Six Months Ended June 30,			
	2024	%	2023	%
	<i>(dollars in thousands)</i>			
Home sales revenue	\$ 710,774	100.0 %	\$ 532,137	100.0 %
Cost of home sales	604,633	85.1 %	437,889	82.3 %
Home sales gross margin	106,141	14.9 %	94,248	17.7 %
Add: Interest in cost of home sales	27,631	3.9 %	11,818	2.2 %
Add: Real estate inventories impairment	—	— %	4,700	0.9 %
Adjusted home sales gross margin excluding interest and real estate inventories impairment ⁽¹⁾	133,772	18.8 %	110,766	20.8 %
Add: Purchase price accounting for acquired inventory	11,075	1.6 %	10,195	1.9 %
Adjusted home sales gross margin excluding interest, real estate inventories impairment, and purchase price accounting for acquired inventory ⁽¹⁾	\$ 144,847	20.4 %	\$ 120,961	22.7 %

(1) This non-GAAP financial measure should not be used as a substitute for the Company's operating results in accordance with GAAP. An analysis of any non-GAAP financial measure should be used in conjunction with results presented in accordance with GAAP. We believe this non-GAAP measure is meaningful because it provides insight into the impact that financing arrangements and acquisitions have on our homebuilding gross margin and allows for comparability of our gross margins to competitors that present similar information.

Home sales gross margin decreased by 250 basis points and 280 basis points from the corresponding periods in 2023 to 14.9% for both the three and six months ended June 30, 2024. The decrease is primarily due to the need for continued sales discounts and incentives to drive sales and delivery activity in the current period as well as higher land costs and higher interest costs due to the rising interest rate environment. Adjusted home sales gross margin excluding interest, real estate inventories impairment, and purchase price accounting for acquired inventory decreased 240 basis points and 230 basis points to 21.1% and 20.4% for the three and six months ended June 30, 2024 compared to the corresponding period in 2023. Land costs increased and discounts and incentives remained an important part of our sales strategy for the three and six months ended June 30, 2024, compared to the prior year period. The incentives primarily related to mortgage interest rate buydowns on behalf of our home-buyers.

Backlog

Backlog reflects the number of homes, net of cancellations, for which we have entered into a sales contract with a customer but have not yet delivered the home.

	June 30, 2024			June 30, 2023			% Change		
	Homes	Dollar Value	ASP	Homes	Dollar Value	ASP	Homes	Dollar Value	ASP
	<i>(dollars in thousands)</i>								
Arizona	152	\$ 70,404	\$ 463	113	\$ 48,871	\$ 432	35 %	44 %	7 %
California	111	102,548	924	259	229,365	886	(57) %	(55) %	4 %
Colorado	30	14,276	476	—	—	N/A	N/A	N/A	N/A
Florida	326	168,730	518	350	177,525	507	(7) %	(5) %	2 %
Metro New York	—	—	N/A	—	—	N/A	N/A	N/A	N/A
Texas	75	35,177	469	—	—	N/A	N/A	N/A	N/A
Total	694	\$ 391,135	\$ 564	722	\$ 455,761	\$ 631	(4) %	(14) %	(11) %

(1) Backlog acquired in Texas at the date of the Antares acquisition was 70 homes with a value of \$35,118 thousand.

The decrease in the number of backlog homes and value as of June 30, 2024 as compared to June 30, 2023 is primarily attributable to more of our buyers desiring quick move-in homes for certainty of delivery and certainty of payment. Therefore, we are converting our backlog at a faster rate in 2024 versus the same period in 2023. As our home deliveries have outpaced net new orders in California and, to a lesser extent, Florida, our backlog has decreased. In Arizona, we have seen demand generally stabilize compared to the corresponding period in the prior year. Our California segment's current product offering skews towards fewer homes at higher price points with limited exceptions. The decrease in backlog is partially offset by backlog throughout the Dallas Fort Worth metropolitan area acquired as part of our acquisition of Antares. Overall, the current market environment remains uncertain and further challenges could persist.

Lot Sales and Other Revenue

Lot sales and other revenue and gross margin can vary significantly between reporting periods based on the number of lots under contract and the percentage of completion related to the development activities required as part of the lot sales and other contracts. For the three and six months ended June 30, 2024, we recognized \$13.0 million and \$14.4 million, respectively, of lot sales and other revenue in our Arizona and Florida segments related to the sale of lots and, in certain cases, the subsequent development of lots under contract. For the three and six months ended June 30, 2023, we recognized \$1.7 million and \$2.8 million, respectively, of lot sales and other revenue in our Arizona segment related to the subsequent development of lots sold in prior periods.

As of June 30, 2024 and December 31, 2023, we had contract assets of \$2.6 million and \$6.0 million, respectively, related to lot sales and other revenue. The contract asset balance is included in other assets on the Company's consolidated balance sheets and represents cash to be received for work already performed on lot sale and other contracts. The amount of the transaction price for lot sales and other contracts allocated to performance obligations that were unsatisfied or partially unsatisfied, as of June 30, 2024 and December 31, 2023 was \$0.2 million and \$1.1 million, respectively.

As of June 30, 2024 the Company had no deferred revenue related to lot sales and other revenue included in accrued expenses and other liabilities in the Company's consolidated balance sheets. As of December 31, 2023, the Company had \$0.2 million deferred revenue related to lot sales and other revenue. We recognize these amounts as development progresses and the related performance obligations are completed.

Lots Owned or Controlled

The table below summarizes the lots owned or controlled by reportable segment as of the dates presented. Lots controlled includes lots where we have placed a deposit and have a signed purchase contract or rolling option contract.

	June 30, 2024			June 30, 2023			% Change
	Lots Owned	Lots Controlled	Total	Lots Owned	Lots Controlled	Total	
Arizona	1,767	1,249	3,016	2,040	1,389	3,429	(12 %)
California	586	1,128	1,714	574	1,708	2,282	(25 %)
Colorado	175	573	748	—	—	—	N/A
Florida	1,680	1,507	3,187	2,366	1,687	4,053	(21 %)
Metro New York	1	—	1	2	—	2	(50 %)
Texas	1,138	2,553	3,691	38	1,204	1,242	197 %
Total	5,347	7,010	12,357	5,020	5,988	11,008	12 %

The total lots owned or controlled at June 30, 2024 increased 12% from June 30, 2023, primarily as a result of the Antares acquisition in April 2024. While we continue to deliver on owned homes and take possession of lots previously under contract, we are monitoring the market to appropriately manage future lot contracts relative to the current market. Our goal remains to maintain a strong balance sheet while entering into contracts for new lots when we are satisfied that the timing and metrics support our actions.

Results of Operations by Segment

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Pretax income (loss)	<i>(dollars in thousands)</i>		<i>(dollars in thousands)</i>	
Arizona	\$ 4,354	\$ (610)	\$ 4,833	\$ (427)
California	10,997	4,452	19,208	7,389
Colorado	(928)	—	(2,080)	—
Florida	6,059	11,388	5,824	19,615
Metro New York	(1,758)	(298)	(2,249)	(901)
Texas	(2,802)	(1,441)	(4,738)	(2,761)
Corporate	(11,317)	(5,985)	(15,489)	(9,669)
Total	\$ 4,605	\$ 7,506	\$ 5,309	\$ 13,246

Our Arizona segment recorded pretax income of \$4.4 million and \$4.8 million in the three and six months ended June 30, 2024 compared to pretax loss of \$0.6 million and \$0.4 million in the comparable period in 2023. The increase in pretax income during the current periods was primarily due to an increase in deliveries and home sales revenue despite the incentives required to continue to close homes at our desired pace as well as slightly lower sales, marketing, and general and administrative (“SG&A”) expenses as a percentage of home sales revenue during the current periods.

Our California segment recorded pretax income of \$11.0 million and \$19.2 million for the three and six months ended June 30, 2024 compared to pretax income of \$4.5 million and \$7.4 million in the comparable period in 2023. The increase in pretax income during the current periods was primarily due to a comparative increase in deliveries and home sales revenue as well as lower SG&A expenses as a percentage of home sales revenue compared to the corresponding periods in the prior year. This was partially offset by increased costs of home sales resulting in lower gross margins.

Colorado operations began in October 2023 with the acquisition of the assets of Richfield. Our Colorado segment recorded pretax loss of \$0.9 million and \$2.1 million for the three and six months ended June 30, 2024.

Our Florida segment recorded pretax income of \$6.1 million and \$5.8 million for the three and six months ended June 30, 2024 compared to pretax income of \$11.4 million and \$19.6 million in the comparable period in 2023. As noted above, slower net new orders during much of 2023 driven primarily by rising mortgage interest rates resulted in lower deliveries in the six months ended June

30, 2024. While deliveries increased during the three months ended June 30, 2024, compared to the prior period, lower gross margins driven primarily by the need for incentives as well as higher SG&A expenses as a percentage of home sales revenue compared to the corresponding periods in the prior year have suppressed the segment's net income. Increased incentives and marketing efforts have been effective in increasing net new orders and we expect to see those deliveries and increased revenue reflected in upcoming quarters. Higher inflation and mortgage interest rates may still present challenges in the near future.

The Metro New York segment recorded a pretax loss of \$1.8 million and \$2.2 million for the three and six months ended June 30, 2024 compared to pretax loss of \$0.3 million and \$0.9 million in the comparable period in 2023. We continue to wind up the sales and deliveries activities in this segment.

Our Texas segment recorded pretax loss of \$2.8 million and \$4.7 million for the three and six months ended June 30, 2024 compared to pretax loss of \$1.4 million and \$2.8 million in the comparable period in 2023. During the three and six months ended June 30, 2024, our Texas segment began integrating the operations of Antares following the acquisition in April 2024, which led to incremental costs from Antares' operations. Additionally, gross margins at Texas are subject to the effects of purchase price accounting adjustments which increased the book value of our real estate inventories at the time of acquisition and result in lower gross margins for a period of time until the acquired inventories are delivered.

We have also identified our Corporate operations as a non-operating segment, as it serves to support the business's operations through functional departments such as executive, finance, treasury, human resources, accounting, and legal. The majority of the Corporate personnel and resources are dedicated to activities relating to the business's operations and are allocated accordingly. The Corporate non-operating segment generated a larger pretax loss compared to the prior year period primarily due to transaction costs resulting from the Antares acquisition and the secondary offering in the first half of the year, debt costs related to the issuance of senior notes and the modification of our revolving credit facility including the write-off of previous deferred financing costs, as well as one-time severance costs during the three months ended June 30, 2024.

Sales, Marketing, and General and Administrative Expenses

	Three Months Ended June 30,		As a Percentage of Home Sales	
	2024	2023	2024	2023
	<i>(dollars in thousands)</i>			
Sales and marketing expenses	\$ 24,663	\$ 18,334	5.9 %	6.3 %
General and administrative expenses	29,555	25,980	7.1 %	8.9 %
Total sales, marketing, and G&A expenses	\$ 54,218	\$ 44,314	13.0 %	15.2 %

	Six Months Ended June 30,		As a Percentage of Home Sales	
	2024	2023	2024	2023
	<i>(dollars in thousands)</i>			
Sales and marketing expenses	\$ 43,151	\$ 34,742	6.1 %	6.5 %
General and administrative expenses	55,637	48,760	7.8 %	9.2 %
Total sales, marketing, and G&A expenses	\$ 98,788	\$ 83,502	13.9 %	15.7 %

For the three and six months ended June 30, 2024, sales and marketing expenses increased compared to the prior year period primarily due to the increasing volume of sales and deliveries and thus related commission costs as well as higher marketing and advertising costs in the current period. General and administrative ("G&A") costs also increased due primarily to transaction costs associated with the Antares acquisition and one-time severance costs. Continuing compensation and other administrative costs grew as we brought on the additional employees related to the Antares acquisition.

The SG&A expense rate as a percentage of home sales revenue for the three and six months ended June 30, 2024 was 13.0% and 13.9%, a decrease of 2.2% and 1.8% from the prior year periods, respectively. The SG&A expense rate decreased primarily due to higher deliveries and home sales revenue in the current periods compared to the corresponding period in the prior year. This more than offset the increases in SG&A expenses discussed above. We expect to continue to be able to further leverage our G&A base, including wages, and reduce the percentage of SG&A compared to home sales revenue in future periods.

Other (expense) income, net

Other (expense) income, net for the three and six months ended June 30, 2024 is primarily the result of a \$5.2 million write-off of previously deferred financing costs associated with the amendment of the revolving credit facility in April 2024.

Provision for Income Taxes

Income taxes for the three and six months ended June 30, 2024 were \$1.4 million and \$1.3 million, respectively. Income taxes for the three and six months ended June 30, 2023 was \$1.6 million and \$3.3 million, respectively. The effective tax rate for the three and six months ended June 30, 2024 was 29.8% and 25.2% compared to 21.8% and 24.6% for the three and six months ended June 30, 2023. The difference between the statutory tax rate and the effective tax rate for the three and six months ended June 30, 2024 was primarily related to state income taxes net of federal income tax benefits and estimated deduction limitations for executive compensation under Section 162(m), partially offset by tax credits for energy-efficient homes and excess tax benefits on share-based compensation. The difference between the statutory tax rate and the effective tax rate for the three and six months ended June 30, 2023, was primarily related to state income taxes net of federal income tax benefits and estimated deduction limitations for executive compensation under Section 162(m), partially offset by tax credits for energy-efficient homes.

The accounting for deferred taxes is based upon estimates of future results. Differences between the anticipated and actual outcomes of these future results could have a material impact on our consolidated results of operations or financial position. Also, changes in existing federal and state tax laws and tax rates could affect future tax results and the valuation of our deferred tax assets.

Critical Accounting Estimates

Critical accounting estimates are those that we believe are both significant and that require us to make difficult, subjective, or complex judgments, often because we need to estimate the effect of inherently uncertain matters. We base our estimates and judgments on historical experience and other factors that we believe to be appropriate under the circumstances. Actual results may differ from these estimates, and the estimates included in the consolidated financial statements might be impacted if we used different assumptions or conditions. There have been no material changes to our critical accounting estimates as compared to those described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on February 29, 2024.

Liquidity and Capital Resources

Overview

As of June 30, 2024, we had \$106.2 million of cash, cash equivalents, and cash held in escrow, a \$62.4 million decrease from December 31, 2023. The change was primarily due to the acquisition of Antares, net paydowns of our revolving credit facility, and ordinary business activities as cash from home deliveries was primarily reinvested to acquire and construct additional real estate inventories. This was partially offset by cash receipts from the issuance of \$300 million of senior notes. See below for additional information on the new senior notes. Cash held in escrow represents closings happening immediately before quarter-end in which we received the funds from the title company subsequent to June 30, 2024.

Our principal sources of capital are cash generated from home and land sales activities, borrowings under our credit facility, and proceeds from the sale of senior notes. Principal uses of capital are land purchases, land development, home construction, repayments on the credit facility, the acquisition of other homebuilders, and the payment of routine liabilities.

Cash flows for each community depend on the community's stage in the development cycle and can differ substantially from reported earnings. Early stages of development or expansion require significant cash outlays for land acquisitions, entitlements and other approvals, and construction of model homes, roads, utilities, general landscaping, and other amenities. Given that these costs are a component of inventory and not recognized in the consolidated statements of operations until a home closes, we incur significant cash outlays prior to recognizing earnings. In the later stages of community development, cash inflows may significantly exceed earnings reported for financial statement purposes, as the cash outflow associated with home and land construction was previously incurred. From a liquidity standpoint, we are actively acquiring and developing lots in our markets to maintain and grow our supply of lots and active selling communities.

We expect to generate cash from the sale of inventory including homes under construction. We generally intend to re-deploy the cash generated from the sale of inventory to acquire and develop strategic, well-positioned lots that represent opportunities to generate future income and cash flows by allocating capital to best position us for long-term success. When it meets our strategic

goals, we may continue to purchase companies that strengthen our position in markets in a way that would not be possible with organic growth. As we continue to expand our business, we expect that our cash outlays for land purchases and development to increase our lot inventory may, at times, exceed our cash generated by operations.

We intend to utilize debt as part of our ongoing financial strategy, coupled with redeployment of cash flows from operations to finance our business. As of June 30, 2024, we had outstanding borrowings of \$781.0 million in aggregate principal, excluding discount and deferred loan costs, and had \$224.0 million in additional borrowing capacity under our credit facility. We will consider several factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of new indebtedness, including the purchase price of assets to be acquired with debt financing, the market value of our assets and the ability of particular assets, and our business as a whole, to generate cash flow to cover the expected debt service. In addition, our Amended Credit Agreement and the agreements governing our Senior Notes (both as defined below) contain certain financial covenants, among other things, which limit the amount of leverage we can maintain, as well as minimum tangible net worth and liquidity requirements.

We believe that we will be able to fund our current and foreseeable liquidity needs with our cash on hand, cash generated from operations, and cash expected to be available from our credit facility or through accessing debt or equity capital as needed.

Line of Credit Facility

In October 2021, the Company entered into a line of credit agreement which was amended in April 2024 (the “Amended Credit Agreement”). The Amended Credit Agreement provides for a senior unsecured borrowing of up to \$455.0 million of which there was \$231.0 million outstanding as of June 30, 2024. As part of the amendment, the Company wrote off \$5.2 million of previously deferred financing costs associated with the line of credit facility prior to the amendment. This write-off is included in other (expense) income, net on the consolidated statements of operations. The Company may increase the borrowing capacity up to \$850.0 million, under certain conditions. Funds available under the Amended Credit Agreement are subject to a borrowing base requirement which is calculated on specified percentages of our real estate inventories. The Borrowings under the Amended Credit Agreement bear interest at a daily simple Secured Overnight Financing Rate (“SOFR”) rate, a term SOFR rate, or a base rate (in each case calculated in accordance with the Amended Credit Agreement), plus, in each case, an applicable margin. The applicable margin is adjusted by reference to a grid based on a leverage ratio calculated in accordance with the Amended Credit Agreement. As of June 30, 2024, the applicable margin was 2.85%. The Amended Credit Agreement matures in April 2027. The Amended Credit Agreement matures in April 2027. As of June 30, 2024, the interest rate on the loan was 8.16%.

Senior Notes

In July 2023, the Company entered into a senior unsecured note (the “Note Purchase Agreement”). The Note Purchase Agreement provided for the private placement of \$250.0 million aggregate principal amount of 11.0% senior notes (the “11.0% Senior Notes”). The Company received the proceeds, net of discount and fees, in July 2023. The 11.0% Senior Notes mature in July 2028.

In April 2024, the Company completed the sale to certain purchasers of \$300.0 million of 8.875% senior notes (the “8.875% Senior Notes”, together with the 11.0% Senior Notes, the “Senior Notes”). The Company received the proceeds, net of fees, in April 2024. The 8.875% Senior Notes mature in April 2029.

Our Senior Notes are not secured, however, the agreements governing the Senior Notes contain some restrictions on secured debt and other transactions. Our Senior Notes are fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by most of our homebuilding segment subsidiaries. The Senior Notes are redeemable in whole or in part at any time at our option, at prices that vary based upon the remaining original term of the Senior Notes to be redeemed.

Financial Covenants

The Amended Credit Agreement and the Note Purchase Agreement have certain financial covenants, including requirements for us to maintain a minimum liquidity balance, minimum tangible net worth as well as maximum leverage and interest coverage ratios. See the table below for the covenant calculations.

Financial Covenants	June 30, 2024		December 31, 2023	
	Actual	Covenant Requirement	Actual	Covenant Requirement
	<i>(dollars in thousands)</i>		<i>(dollars in thousands)</i>	
Minimum Liquidity Covenant ⁽¹⁾	\$ 244,000	\$ 50,000	\$ 431,265	\$ 50,000
Interest Coverage Ratio ⁽²⁾	2.09	2.00	2.18	2.00
Tangible Net Worth ⁽³⁾	\$ 514,420	\$ 399,987	\$ 619,713	\$ 410,578
Maximum Leverage Ratio ⁽⁴⁾	56.5 %	<60%	39.3 %	<60%

(1) Based on cash, cash held in escrow, and undrawn availability under the Amended Credit Agreement

(2) Calculated as the trailing twelve months adjusted EBITDA divided by interest incurred over that same period.

(3) Calculated as total assets, less goodwill and other intangible assets, less total liabilities.

(4) Calculated as debt, net of certain cash amounts, divided by that same net debt balance plus tangible net worth.

The Amended Credit Agreement and agreements governing the Senior Notes also contain certain restrictive covenants, including limitations on incurrence of other indebtedness, liens, dividends and other distributions, asset dispositions, restricted payments, investments, and limitations on fundamental changes. They contain customary events of default for such facilities, subject to cure periods in certain circumstances, which would result in the termination of the commitments in the case of the Amended Credit Agreement and permit the lenders or holders, as applicable, to accelerate payment on outstanding amounts. These events of default include nonpayment of principal, interest, and fees or other amounts; breach of covenants, including those described above; inaccuracy of representations and warranties; cross default to certain other indebtedness; unpaid judgments; and certain bankruptcy and other insolvency events. As of June 30, 2024, we were in compliance with all covenants under each of our Amended Credit Agreement and the agreements governing the Senior Notes.

Letters of Credit and Performance Bonds

In the ordinary course of business, and as part of the entitlement and development process, the Company's subsidiaries are required to provide performance bonds to assure completion of certain public facilities. The Company had \$124.4 million and \$109.3 million of performance bonds outstanding at June 30, 2024 and December 31, 2023, respectively.

Cash Flows—Six Months Ended June 30, 2024 Compared to the Six Months Ended June 30, 2023

For the six months ended June 30, 2024 and 2023, the comparison of cash flows is as follows:

- Net cash provided by operating activities was \$0.4 million during the six months ended June 30, 2024 compared to net cash used in operating activities of \$11.4 million during the same period in 2023. The increase in net cash from operating activities was primarily due to an increase of \$9.8 million in collections of cash held in escrow, compared to the prior period, as well as fewer payments on accounts payable and accrued expenses in the normal course of business resulting in \$23.8 million more cash from operating activities. These cash movements were substantially offset by more cash being used in our real estate inventories construction and more cash used for other assets compared to the prior period. We used \$12.6 million more for real estate inventories compared to the prior period. In addition, we used \$5.7 million more for other assets during the six months ended June 30, 2024. Lower net income, adjusted for noncash operating components of net income, also decreased cash from operating activities by \$3.6 million compared to the prior period.
- Net cash used in investing activities was \$238.7 million during the six months ended June 30, 2024, and compared to \$3.6 million during the same period in 2023. This difference was related to payments of \$235.0 million, net of cash received, for our acquisition of Antares in April 2024, while we did not acquire any businesses in the prior period.

- Net cash provided by financing activities was \$200.9 million during the six months ended June 30, 2024, compared to net cash used in financing activities of \$34.5 million during the same period in 2023. The increase of cash received was primarily due to the issuance of \$300.0 million worth of senior notes as well as proceeds of \$16.5 million from other financing transactions. This was partially offset by more net repayments than the comparable period on the revolving credit facility of \$59.7 million, cash distributions of \$14.2 million to a partner which holds a noncontrolling interest in one of our consolidated joint ventures, and cash paid for debt issuance and modification costs of \$8.4 million.

Option Contracts

In the ordinary course of business, we enter into land purchase contracts in order to procure lots for the construction of homes. We are subject to customary obligations associated with entering into contracts for the purchase of land and improved lots. These purchase contracts typically require a cash deposit, and the purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements, including obtaining applicable property and development entitlements. We also utilize option contracts with land sellers and others as a method of acquiring land in staged takedowns, to help manage the financial and market risk associated with land holdings, and to reduce the use of funds from financing sources. Option contracts generally require payment of a non-refundable deposit for the right to acquire lots over a specified period of time at pre-determined prices. Our obligations with respect to purchase contracts and option contracts are generally limited to the forfeiture of the related non-refundable cash deposits. As of June 30, 2024, we had outstanding purchase and option contracts totaling \$778.6 million, net of \$117.6 million related cash deposits (of which \$0.3 million is refundable) pertaining to these contracts. As of December 31, 2023, we had outstanding purchase and option contracts totaling \$663.1 million, net of \$96.2 million related cash deposits (of which \$1.0 million was refundable) pertaining to these contracts.

The utilization of land option contracts is dependent on, among other things, the availability of land sellers willing to enter into option takedown arrangements, the availability of capital to financial intermediaries to finance the development of optioned lots, general housing market conditions, and local market dynamics. Options may be more difficult to procure from land sellers in strong housing markets and are more prevalent in certain geographic regions.

Material Cash Requirements

As of June 30, 2024, there had been no material changes to our known contractual and other obligations appearing in the “Material Cash Requirements” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on February 29, 2024.

Stock Repurchases

In March 2023, the Board of Directors authorized a stock repurchase program allowing for the repurchase of up to \$10.0 million worth of common stock, with an expiration of December 31, 2023. In July 2023, the Board of Directors authorized additional capacity of approximately \$3.3 million, with an expiration date of December 31, 2023, and an additional \$10.0 million with no stated expiration date. In October 2023, the Board of Directors authorized additional capacity of \$20.0 million with no stated expiration date. No additional stock repurchase authorizations occurred during the three and six months ended June 30, 2024.

During the six months ended June 30, 2024, the Company repurchased 534,436 shares of common stock for a total of \$6.4 million, excluding commissions, which was recorded as a reduction to additional paid-in capital. During the three months ended June 30, 2024, the Company did not repurchase any shares of common stock. As of June 30, 2024, the Company had approximately \$2.5 million in remaining capacity from previous authorizations. During the three and six months ended June 30, 2023, the Company repurchased 968,869 shares of common stock for a total of \$7.5 million, excluding commissions, which was recorded as a reduction to additional paid-in capital. A portion of these shares were repurchased directly from the Company’s majority shareholder at the time. Refer to *Note 9 – Related Party Transactions* for additional information.

The timing and amount of repurchases are based on a variety of factors such as the market price of the Company’s common stock, corporate and contractual requirements, market and economic conditions, and legal requirements.

Seasonality

Historically, the homebuilding industry experiences seasonal fluctuations in quarterly operating results and capital requirements. We typically experience the highest new home order activity during the spring, although this activity is also highly

dependent on the number of active selling communities, timing of new community openings and other market factors. Since it typically takes four to eight months to construct a new home, we deliver more homes in the second half of the year as spring and summer home orders convert to home deliveries. Because of this seasonality, home starts, construction costs, and related cash outflows have historically been highest in the third and fourth quarters, and the majority of cash receipts from home deliveries occur during the second half of the year. We expect this seasonal pattern to continue over the long-term, although it may be affected by volatility in the homebuilding industry.

Non-GAAP Financial Measures

We include non-GAAP financial measures, including adjusted home sales gross margin, EBITDA and adjusted EBITDA, net debt to total capital, and adjusted net income. These non-GAAP financial measures are presented to provide investors additional insights to facilitate the analysis of our results of operations. These non-GAAP financial measures are not in accordance with, or an alternative for, GAAP financial measures and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures are not based on any comprehensive or standard set of accounting rules or principles. Accordingly, the calculation of our non-GAAP financial measures may differ from the definitions of non-GAAP financial measures other companies may use with the same or similar names. This limits, to some extent, the usefulness of this information for comparison purposes. Non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with our financial results as determined in accordance with GAAP. This information should only be used to evaluate our financial results in conjunction with the corresponding GAAP information. Accordingly, we qualify our use of non-GAAP financial measures whenever non-GAAP financial measures are presented.

Net Debt to Total Capital

The following table presents the ratio of debt to capital as well as the ratio of net debt to total capital, which is a non-GAAP financial measure. The ratio of debt to capital is computed as the quotient obtained by dividing total debt, net of issuance costs, by total capital (sum of total debt, net of issuance costs, plus total equity).

The non-GAAP ratio of net debt to total capital is computed as the quotient obtained by dividing net debt (which is total debt, net of issuance costs, less cash and cash equivalents as well as cash held in escrow to the extent necessary to reduce the debt balance to zero) by total capital. The most comparable GAAP financial measure is the ratio of debt to capital. We believe the ratio of net debt to total capital is a relevant financial measure for investors to understand the leverage employed in our operations and as an indicator of our ability to obtain financing. We believe that by deducting our cash from our debt, we provide a measure of our indebtedness that takes into account our cash liquidity. We believe this provides useful information as the ratio of debt to capital does not take into account our liquidity and we believe that the ratio of net debt to total capital provides supplemental information by which our financial position may be considered.

See table below reconciling this non-GAAP measure to the ratio of debt to capital.

	June 30, 2024	December 31, 2023
	<i>(dollars in thousands)</i>	
Total notes and other debts payable, net	\$ 754,107	\$ 543,774
Total equity	672,882	688,352
Total capital	\$ 1,426,989	\$ 1,232,126
Ratio of debt to capital	52.8 %	44.1 %
Total notes and other debts payable, net	\$ 754,107	\$ 543,774
Less: cash and cash equivalents	82,150	119,555
Less: cash held in escrow	24,071	49,091
Net debt	647,886	375,128
Total capital	\$ 1,426,989	\$ 1,232,126
Ratio of net debt to total capital	45.4 %	30.4 %

EBITDA and Adjusted EBITDA

The following table presents EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2024 and 2023. Adjusted EBITDA is a non-GAAP financial measure used by management in evaluating operating performance. We define Adjusted EBITDA as net income before (i) income tax (benefit) expense, (ii) interest expenses, (iii) depreciation and amortization, (iv) real estate inventories impairment, (v) purchase accounting adjustments for acquired work in process inventory related to business combinations, (vi) loss on debt modification, (vii) transaction costs related to business combinations, (viii) write-off of deferred offering costs, and (ix) abandoned projects costs. We believe Adjusted EBITDA provides an indicator of general economic performance that is not affected by fluctuations in interest, effective tax rates, levels of depreciation and amortization, and items considered to be non-recurring. Accordingly, we believe this measure is useful for comparing our core operating performance from period to period.

Our presentation of Adjusted EBITDA should not be considered as an indication that our future results will be unaffected by unusual or non-recurring items.

	Three Months Ended June 30,	
	2024	2023
	<i>(dollars in thousands)</i>	
Net income	\$ 3,235	\$ 5,866
Provision for income taxes	1,370	1,640
Interest in cost of sales	18,011	7,319
Depreciation and amortization expense	1,850	1,139
EBITDA	24,466	15,964
Real estate inventories impairment	—	4,700
Purchase price accounting in cost of home sales	8,619	5,710
Transaction costs	2,861	18
Write-off of offering costs	—	436
Abandoned project costs	1,698	197
Loss on debt modification	5,180	—
Adjusted EBITDA	\$ 42,824	\$ 27,025

	Six Months Ended June 30,	
	2024	2023
	<i>(dollars in thousands)</i>	
Net income	\$ 3,969	\$ 9,989
Provision for income taxes	1,340	3,257
Interest in cost of sales	28,581	11,872
Depreciation and amortization expense	3,170	2,557
EBITDA	37,060	27,675
Real estate inventories impairment	—	4,700
Purchase price accounting in cost of home sales	11,075	10,195
Transaction costs	4,589	33
Write-off of offering costs	—	436
Abandoned project costs	1,954	312
Loss on debt modification	5,180	—
Adjusted EBITDA	\$ 59,858	\$ 43,351

Adjusted Net Income

Adjusted Net Income attributable to Landsea Homes is a non-GAAP financial measure that we believe is useful to management, investors and other users of our financial information in evaluating and understanding our operating results without the effect of certain expenses that were historically pushed down by our parent company and other non-recurring items. We believe excluding these items provides a more comparable assessment of our financial results from period to period. Adjusted Net Income

attributable to Landsea Homes is calculated by excluding the effects of related party interest that was pushed down by our parent company, purchase accounting adjustments for acquired work in process inventory related to business combinations, loss on debt modification, and real estate inventories impairment, and tax-effected using a blended statutory tax rate. We adjust for the expense of related party interest pushed down from our parent company as we have no obligation to repay the debt and related interest.

	Three Months Ended June 30,	
	2024	2023
	<i>(dollars in thousands)</i>	
Net income attributable to Landsea Homes Corporation	\$ 2,885	\$ 4,947
Real estate inventories impairment	—	4,700
Pre-Merger capitalized related party interest included in cost of sales	90	545
Purchase price accounting for acquired inventory	8,619	5,710
Loss on debt modification	5,180	—
Total adjustments	13,889	10,955
Tax-effected adjustments ⁽¹⁾	10,380	8,075
Adjusted net income attributable to Landsea Homes Corporation	<u>\$ 13,265</u>	<u>\$ 13,022</u>

	Six Months Ended June 30,	
	2024	2023
	<i>(dollars in thousands)</i>	
Net income attributable to Landsea Homes Corporation	\$ 3,075	\$ 8,165
Real estate inventories impairment	—	4,700
Pre-Merger capitalized related party interest included in cost of sales	119	1,263
Purchase price accounting for acquired inventory	11,075	10,195
Loss on debt modification	5,180	—
Total adjustments	16,374	16,158
Tax-effected adjustments ⁽¹⁾	12,237	11,910
Adjusted net income attributable to Landsea Homes Corporation	<u>\$ 15,312</u>	<u>\$ 20,075</u>

(1) Our tax-effected adjustments are based on our federal rate and a blended state rate adjusted for certain discrete items.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Due to the nature of homebuilding and our business we are exposed to market risks in the ordinary course of our business, including the effects of interest rate changes and inflation as described below. We are also exposed to market risk from fluctuations in our stock prices and related characteristics.

Interest Rates

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. The Company's primary exposure to market risk is interest rate risk associated with (i) variable rate debt such as our revolving credit facility and (ii) demand and pricing pressure with respect to home sales. Borrowings under our credit facility bear interest at a floating rate based on a daily simple SOFR rate, a term SOFR rate, or a base rate (in each case calculated in accordance with the Amended Credit Agreement). The Senior Notes bear interest on the outstanding amount at fixed rates of 11.0% and 8.875% per annum, and therefore are not subject to fluctuations in interest rates. Higher interest rates are associated with downward demand and pricing pressure with respect to home sales and we may need to provide mortgage interest-related incentives to consumers to remain competitive in certain markets. For a more complete discussion of the impact of interest rates on our results of operations, see Item 2, "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

Inflation

Operations can be adversely impacted by inflation, primarily from higher land, financing, labor, material, and construction costs. In addition, inflation can lead to higher mortgage rates, which can significantly affect the affordability of mortgage financing to homebuyers. While we attempt to pass on cost increases to customers through increased prices, when weak housing market conditions exist, we are often unable to offset cost increases with higher selling prices.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision of our Company's Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a- 15(e) and 15d- 15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of June 30, 2024 (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures: (a) are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms; and (b) include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to Company's management, including the CEO and the CFO, as appropriate, to allow timely discussions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Part 1, Item1, “*Note 8 – Commitments and Contingencies - Legal*.”

Item 1A. Risk Factors

There have been no material changes to the risk factors we previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023 that was filed with the SEC on February 29, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information concerning the Company’s repurchases of common stock during the three months ended June 30, 2024.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that may yet be Purchased Under the Plans or Programs (in millions)
April 1, 2024 - April 30, 2024	—	\$ —	—	\$ 2.5
May 1, 2024 - May 31, 2024	—	\$ —	—	\$ 2.5
June 1, 2024 - June 30, 2024	—	\$ —	—	\$ 2.5

(1) In March 2023, the Board of Directors authorized a stock repurchase program allowing for the repurchase of up to \$10.0 million worth of common stock with an expiration of December 31, 2023. In July 2023, the Board of Directors authorized additional capacity of approximately \$3.3 million, with an expiration date of December 31, 2023, and an additional \$10.0 million with no stated expiration date. In October 2023, the Board of Directors authorized additional capacity of \$20.0 million with no stated expiration date. During the year ended December 31, 2023, the Company repurchased 3,635,033 shares of common stock for a total of \$34.4 million. During the six months ended June 30, 2024, the Company repurchased 534,436 shares of common stock for a total of \$6.4 million. The Company did not repurchase any shares of common stock during the three months ended June 30, 2024. As of June 30, 2024, the Company had approximately \$2.5 million in remaining authorized capacity.

This table does not include shares tendered to satisfy the exercise price in connection with cashless exercises of employee stock options or shares tendered to satisfy tax withholding obligations in connection with employee equity awards.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(c) Trading Plans

During the quarter ended June 30, 2024, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K)

Item 6. Exhibits

Exhibit Number	Exhibit Description
3.1	Second Amended and Restated Certificate of Incorporation of Landsea Homes Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 13, 2021)
3.2	Second Amended and Restated Bylaws of Landsea Homes Corporation (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on January 13, 2021)
4.1	Indenture, dated as of April 1, 2024, among Landsea Homes Corporation, as Issuer, the Guarantors and U.S. Bank Trust Company, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on April 2, 2024)
4.2	Form of 8.875% Senior Note due 2029 (included in Exhibit 4.1)
10.1	Amended and Restated Credit Agreement, dated as of April 19, 2024, by and among Landsea Homes Corporation, as Borrower, Bank of America, N.A., as Administrative Agent and L/C Issuer, the lenders party thereto, U.S. Bank National Association as Joint Lead Arranger and Syndication Agent and BofA Securities, Inc., as Joint Lead Arranger and a Sole Bookrunner(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 25, 2024)
10.2	Joinder, Commitment Increase, and Reallocation Agreement, dated June 26, 2024, by and among Truist Bank, Bank of America, N.A., as administrative agent for the lenders and Landsea Homes Corporation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 2, 2024)
10.3	Fourth Amended and Restated Stockholder's Agreement, dated April 30, 2024, by and between Landsea Homes Corporation and Landsea Holdings Corporation (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 2, 2024)
10.4	Indemnification Agreement, dated April 30, 2024, by and between Landsea Homes Corporation and Landsea Holdings Corporation (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 2, 2024)
31.1*	Certification of John Ho, Chief Executive Officer of Landsea Homes Corporation, pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934
31.2*	Certification of Chris Porter, Chief Financial Officer of Landsea Homes Corporation, pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934
32.1**	Certification of John Ho, Chief Executive Officer of Landsea Homes Corporation, pursuant to 18 U.S.C. Section 1350
32.2**	Certification of Chris Porter, Chief Financial Officer of Landsea Homes Corporation, pursuant to 18 U.S.C. Section 1350
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in Inline XBRL: (i) Consolidated Balance Sheets as of June 30, 2024 and December 31, 2023; (ii) Consolidated Statements of Operations for the three and six months ended June 30, 2024 and 2023, (iii) Consolidated Statements of Equity for the three and six months ended June 30, 2024 and 2023; (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2024 and 2023 and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in Inline XBRL (included as Exhibit 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Landsea Homes Corporation

Date: August 1, 2024

By: /s/ John Ho
John Ho
Chief Executive Officer
(Principal Executive Officer)

Date: August 1, 2024

By: /s/ Chris Porter
Chris Porter
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATIONS

I, John Ho, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Landsea Homes Corporation;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit
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committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2024

By: /s/ John Ho

Name: John Ho

Title: Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Chris Porter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Landsea Homes Corporation;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
 4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit
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committee of the registrant's board of directors (or persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2024

By: /s/ Chris Porter

Name: Chris Porter

Title: Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the quarterly report of Landsea Homes Corporation (the "Company") on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Ho, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2024

By: /s/ John Ho

Name: John Ho

Title: Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the quarterly report of Landsea Homes Corporation (the "Company") on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chris Porter, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2024

By: /s/ Chris Porter

Name: Chris Porter

Title: Chief Financial Officer
(Principal Financial Officer)