

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): March 16, 2022

Dream Finders Homes, Inc.

(Exact name of registrant as specified in its charter)

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

001-39916

(Commission File Number)

85-2983036

(I.R.S. Employer Identification No.)

14701 Philips Highway, Suite 300
Jacksonville, Florida

(Address of principal executive offices)

32256

(Zip Code)

Registrant's telephone number, including area code: (904) 644-7670

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|----------------------|-------------------|---|
| Class A Common Stock | DFH | Nasdaq Global Select Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

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.

Item 2.02. Results of Operations and Financial Condition.

On March 16, 2022, Dream Finders Homes, Inc. (the “Company”) issued a press release announcing its financial results for the year ended December 31, 2021. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

The information furnished under this Item 2.02, including Exhibit 99.1, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| Number | Description |
|----------------------|---|
| 99.1 | Earnings Press Release dated March 16, 2022 |
| 104 | Cover Page Interactive Data File (embedded within the inline XBRL document) |

SIGNATURE

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 hereunto duly authorized.

DREAM FINDERS HOMES, INC.

By: /s/ Robert E. Riva

Robert E. Riva
Vice President, General Counsel and Corporate Secretary

Date: March 16, 2022



Dream Finders Announces Fourth Quarter 2021 Earnings and Full Year 2021 Results

Pre-tax Income Increases 88% for Full Year 2021
Total Company Revenues Increase 70% for Full Year 2021
Largest Backlog in Company History Valued at Nearly \$3 Billion

Jacksonville, Fla. – March 16, 2022 — Dream Finders Homes, Inc. (the “Company” or “DFH”) (NASDAQ: DFH), one of the nation’s fastest growing companies, announced financial results for the fourth quarter and full year ended December 31, 2021.

Fourth Quarter 2021 Highlights (As Compared to Fourth Quarter 2020)

- Backlog of sold homes increased 163.2% to 6,381 homes valued at \$2.9 billion, both Company records, compared to 2,424 homes valued at \$865.1 million. McGuyer Homebuilders, Inc. (“MHI”), acquired on October 1, 2021, contributed 1,734 homes valued at \$1.0 billion
- Home building revenues increased 84.4% to \$850.1 million from \$461.0 million
- Gross margin as a percentage of home sales revenues increased 60 basis points to 16.2% from 15.6%
- Pre-tax income attributable to DFH increased 86.6% to \$71.4 million, compared to \$38.2 million
- Average sales price of homes closed increased 28.4% to \$440,939 from \$343,305
- Home closings increased 46.6% to 1,960 from 1,337 homes
- Net new orders increased 42.3% to 1,974 from 1,387

Full Year 2021 Highlights (As Compared to Full Year 2020)

- Home building revenues increased 70.0% to \$1.9 billion from \$1.1 billion
- Gross margin as a percentage of home sales revenues increased 140 basis points to 16.0% from 14.6%
- Pre-tax income attributable to DFH increased 87.9% to \$148.6 million, compared to \$79.1 million
- Average sales price of homes closed increased 8.8% to \$389,094 from \$357,633
- Home closings increased 54.5% to 4,874 from 3,154 homes
- Net new orders increased 62.5% to 6,804 from 4,186
- Active community count increased 62.7% to 205 from 126
- Controlled lot pipeline increased 99.7% to 38,495 as of December 31, 2021, from 19,276 at December 31, 2020
- Return on participating equity was 44.3% for the year ended December 31, 2021, compared to 47.0% for the year ended December 31, 2020

Acquisition of MHI

On October 1, 2021, the Company completed its acquisition of Texas based homebuilder, MHI. The acquisition allowed the Company to expand operations in the largest housing market in the U.S. It also provided DFH with a platform to capitalize on its land-light acquisition strategy and to achieve significant scale.

The following table shows MHI's contribution to the Company for the fourth quarter of 2021:

| | | Q4 2021 (unaudited) | |
|---|----|---------------------|--------------------|
| Results and Operating Data (In thousands): | | Units: | |
| Revenues | \$ | 361,138 | Net new orders 579 |
| Cost of sales | | 308,866 | Home closings 689 |
| Gross margin | | 52,272 | |
| Gross margin % | | 14.5% | |
| SG&A | | 29,755 | |
| SG&A % of revenue | | 8.2% | |
| Net income | | 23,966 | |
| Net income % | | 6.6% | |

Management Commentary

Patrick Zalupski, Dream Finders Homes Chairman and CEO, said, "We concluded the fourth quarter and full year 2021 with record results, achieving revenue growth of 85% and 70% respectively, despite the sustained, well-known industry-wide labor, material, and supply chain challenges that remain prevalent to date. We closed 4,874 homes during the year, representing 33% organic growth. Overall growth was 55%, inclusive of the strategic MHI acquisition, which granted DFH immediate access to the robust Texas markets. I am proud of our team and the effort they put forth that has allowed us to achieve an outstanding year. I look forward to a great year of execution in 2022 and to sharing additional details in my upcoming shareholder letter."

Fourth Quarter 2021 Results

Home building revenues for the fourth quarter 2021 increased 84.4% to \$850.1 million, compared to \$461.0 million in the same year-ago quarter. Home closings increased 46.6% to 1,960, compared to 1,337 in the same year-ago quarter. Average sales price ("ASP") of homes closed for the fourth quarter 2021 was \$440,939, compared to \$343,305 in the same year-ago quarter, primarily due to home price appreciation and our acquisition of MHI, which contributed 689 closings to the fourth quarter at an ASP of \$532,243.

Home building gross margin in the fourth quarter 2021 improved 60 basis points to 16.2%, compared to 15.6% in the same year-ago quarter. The increase in gross margin percentage was primarily attributable to home price appreciation outpacing cost inflation as well as lower cost of funds from the legacy operations offset by slightly lower margins on home closings contributed by MHI in the fourth quarter of 14.5%.

SG&A as a percent of home sales revenues was 7.2% in the fourth quarter 2021, compared to 7.5% in the same year-ago quarter, primarily as a result of economies of scale.

Net new orders in the fourth quarter 2021 increased 42.3% to 1,974, compared to 1,387 in the same year-ago quarter, primarily due to increased community count. The cancellation rate remains within industry averages at 12.2% for the year ended December 31, 2021, down, when compared to 12.8% in the same year-ago period. At the end of the fourth quarter 2021, the Company had the largest backlog in Company history with 6,381 homes, valued at \$2.9 billion, which represents record increases of 163.2% and 236.7%, respectively, when compared to the year ended December 31, 2020. The average sales price in backlog as of December 31, 2021, was \$456,538.

Net income attributable to DFH in the fourth quarter of 2021 was \$57.3 million, or \$0.55 per diluted share, compared to net income of \$38.2 million in the fourth quarter of 2020.

Full Year 2021 Commentary

For the twelve months ended December 31, 2021, the Company incurred certain non-recurring expenses and recorded other adjustments in relation to its business combinations that were not operational in nature, including:

- Transaction costs of \$3.0 million in relation to its initial public offering
- Transaction costs of \$1.4 million related to the acquisition of businesses
- Fair value adjustments from business combinations of \$15.3 million, comprising contingent consideration revaluation of \$7.5 million and inventory mark-up of \$7.7 million

For the same year ended, the Company successfully compelled arbitration from a legal matter dating back to October of 2019 in Denver, CO and settled the matter during arbitration proceedings. The net impact to other expense was \$7.5 million.

Other income related to the forgiveness of the Paycheck Protection Program grant for the year ended December 31, 2021 was \$7.2 million.

The above non-operational items had a net impact of \$19.9 million to pre-tax income. The after-tax effect to net income was a reduction of \$16.2 million or 17.0 cents per diluted share.

Full Year 2022 Outlook

Dream Finders Homes expects a minimum of 7,000 home closings for the full year 2022 for the combined Company. Any further COVID-19 governmental restrictions on land development, home construction or home sales or additional supply chain challenges could negatively impact the Company's ability to achieve this number of home closings in 2022. As of December 31, 2021, the combined Company backlog was 6,381 homes, with approximately 10% of the homes in backlog expected to be delivered in 2023 and beyond. The Company continues to believe the backlog of homes sold is the best indicator for future growth. The following table shows the backlog units and ASP as of December 31, 2021 by segment:

| | As of December 31, 2021 (unaudited) | |
|----------------------|--|---------------------|
| | Units | Average Sales Price |
| Backlog: | | |
| Jacksonville | 1,463 | \$ 391,593 |
| Colorado | 133 | 537,906 |
| Orlando | 934 | 476,442 |
| DC Metro | 16 | 644,288 |
| The Carolinas | 1,231 | 330,087 |
| Texas | 1,734 | 598,517 |
| Other ⁽¹⁾ | 870 | 424,123 |
| Total | 6,381 | \$ 456,538 |

(1) Austin, Savannah, Village Park Homes, Active Adult and Custom Homes. Austin refers to legacy DFH operations, exclusive of MHI.

About Dream Finders Homes, Inc.

Dream Finders Homes (NASDAQ: DFH) is based in Jacksonville, FL, and is one of the nation's fastest growing homebuilding companies, with industry leading returns on shareholder's equity. Dream Finders Homes builds homes in Florida, Texas, North Carolina, South Carolina, Georgia, Colorado, Virginia and Maryland. Dream Finders Homes achieves its industry leading growth and returns by maintaining an asset light homebuilding model. For more information, please visit www.dreamfindershomes.com.

Forward-Looking Statements

This press release includes forward-looking statements regarding future events, including projected 2022 home closings and market conditions and possible or assumed future results of operations, including statements regarding the Company's strategies and expectations as they relate to market opportunities and growth. All forward-looking statements are based on Dream Finders Homes' beliefs as well as assumptions made by and information currently available to Dream Finders Homes. These statements reflect Dream Finders Homes' current views with respect to future events and are subject to various risks, uncertainties and assumptions. These risks, uncertainties and assumptions are discussed in Dream Finders Homes' Annual Report on Form 10-K for the year ended December 31, 2021, and other filings with the U.S. Securities and Exchange Commission. Dream Finders Homes undertakes no obligation to update or revise any forward-looking statement except as may be required by applicable law.

Dream Finders Homes, Inc.
Consolidated Statements of Comprehensive Income and Operating Activity
(In thousands, except per share amounts)

| | For the Three Months Ended December 31, | | For the Twelve Months Ended December 31, | |
|---|--|-------------|---|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| | (Unaudited) | (Unaudited) | | |
| Revenues | \$ 852,090 | \$ 461,100 | \$ 1,923,910 | \$ 1,133,807 |
| Cost of sales | 712,319 | 387,244 | 1,610,332 | 962,928 |
| Selling, general and administrative expense | 61,045 | 34,591 | 154,405 | 90,359 |
| Income from equity in earnings of unconsolidated entities | (5,198) | (3,148) | (9,428) | (7,992) |
| Gain on sale of assets | (14) | (65) | (87) | (118) |
| Loss on extinguishment of debt | 14 | - | 711 | - |
| Other Income | - | - | - | - |
| Other | (827) | (150) | (7,827) | (1,322) |
| Paycheck Protection Program forgiveness | - | - | (7,220) | - |
| Other Expense | - | - | - | - |
| Other | 7,560 | 216 | 12,771 | 3,188 |
| Contingent consideration revaluation | 1,771 | 1,491 | 7,533 | 1,379 |
| Interest expense | 0 | 747 | 672 | 871 |
| Income before taxes | \$ 75,420 | \$ 40,174 | \$ 162,048 | \$ 84,514 |
| Income tax expense | (14,049) | - | (27,455) | - |
| Net and comprehensive income | \$ 61,371 | \$ 40,174 | \$ 134,593 | \$ 84,514 |
| Net and comprehensive income attributable to non-controlling interests | (4,068) | (1,946) | (13,461) | (5,420) |
| Net and comprehensive income attributable to Dream Finders Homes, Inc. | \$ 57,303 | \$ 38,228 | \$ 121,132 | \$ 79,094 |
| Earnings per share⁽⁵⁾ | | | | |
| Basic | \$ 0.58 | \$ - | \$ 1.27 | \$ - |
| Diluted | \$ 0.55 | \$ - | \$ 1.27 | \$ - |
| Weighted-average number of shares | | | | |
| Basic | 92,521 | - | 92,521 | - |
| Diluted | 103,297 | - | 95,314 | - |
| Other Financial and Operating Data | | | | |
| Active communities at end of period ⁽¹⁾ | 205 | 126 | 205 | 126 |
| Home closings | 1,960 | 1,337 | 4,874 | 3,154 |
| Average sales price for closed homes ⁽²⁾ | \$ 440,939 | \$ 343,305 | \$ 389,094 | \$ 357,633 |
| Net new orders | 1,974 | 1,387 | 6,804 | 4,186 |
| Cancellation rate | 13.1% | 12.9% | 12.2% | 12.8% |
| Backlog (at period end) - homes | 6,381 | 2,424 | 6,381 | 2,424 |
| Backlog (at period end, in thousands) - value | \$ 2,913,170 | \$ 865,109 | \$ 2,913,170 | \$ 865,109 |
| Gross margin (in thousands) ⁽³⁾ | \$ 137,749 | \$ 71,755 | \$ 306,969 | \$ 165,048 |
| Gross margin % ⁽⁴⁾ | 16.2% | 15.6% | 16.0% | 14.6% |
| Net profit margin | 6.7% | 8.3% | 6.3% | 7.0% |

(1) A community becomes active once the model is completed or the community has its fifth sale. A community becomes inactive when it has fewer than five units remaining to sell.

(2) Average sales price of homes closed is calculated based on home sales revenue, excluding the impact of deposit forfeitures and percentage of completion revenues, over homes closed.

(3) Gross margin is home sales revenue less cost of sales. Gross margin includes commission expense.

(4) Calculated as a percentage of home sales revenues.

(5) The Company calculated earnings per share ("EPS") based on net income attributable to common stockholders for the period January 21, 2021 through December 31, 2021 over the weighted average diluted shares outstanding for the same period. EPS was calculated prospectively for the period subsequent to the Company's initial public offering and corporate reorganization, resulting in 92,521,482 shares of common stock outstanding as of the closing of the initial public offering. The total outstanding shares of common stock are made up of Class A common stock and Class B common stock, which participate equally in their ratable ownership share of the Company. Diluted shares were calculated by using the treasury stock method for stock grants and the if-converted method for the convertible preferred stock and the associated preferred dividends.

| | Three Months Ended December 31, | | | | Twelve Months Ended December 31, | | | |
|-----------------------|------------------------------------|------------------------|---------------------|------------------------|-------------------------------------|------------------------|---------------------|------------------------|
| | 2021 (unaudited) | | 2020 (unaudited) | | 2021 (unaudited) | | 2020 (unaudited) | |
| | Units | Average Sales Price | Units | Average Sales Price | Units | Average Sales Price | Units | Average Sales Price |
| Home Closings: | | | | | | | | |
| Jacksonville | 372 | \$ 397,731 | 520 | \$ 311,550 | 1,237 | \$ 363,755 | 1,395 | \$ 318,134 |
| Colorado | 89 | 508,526 | 86 | 457,672 | 230 | 488,502 | 269 | 454,802 |
| Orlando | 173 | 394,962 | 149 | 360,323 | 604 | 404,035 | 355 | 356,168 |
| DC Metro | 49 | 682,334 | 84 | 547,710 | 140 | 667,780 | 232 | 545,887 |
| The Carolinas | 326 | 307,025 | 312 | 286,296 | 1,233 | 300,426 | 312 | 286,296 |
| Texas | 689 | 532,243 | - | - | 689 | 532,243 | - | - |
| Other ⁽¹⁾ | 262 | 391,057 | 186 | 400,613 | 741 | 350,142 | 591 | 391,337 |
| Total | 1,960 | \$ 440,939 | 1,337 | \$ 343,305 | 4,874 | \$ 389,094 | 3,154 | \$ 357,633 |

(1) Austin, Savannah, Village Park Homes, Active Adult and Custom Homes. Austin refers to legacy DFH operations, exclusive of MHI.

Dream Finders Homes, Inc.
Consolidated Balance Sheets
(In thousands, except per share amounts)

| | December 31, 2021 | December 31, 2020 |
|---|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 227,227 | \$ 43,658 |
| Restricted cash (VIE amounts of \$2,855 and \$8,793) | 54,095 | 49,716 |
| Accounts receivable (VIE amounts of \$2,684 and \$1,288) | 33,482 | 16,766 |
| Inventories: | | |
| Construction in process and finished homes | 961,779 | 396,631 |
| Joint venture owned land and lots (VIE amounts of \$20,708 and \$40,901) | 21,686 | 40,901 |
| Company owned land and lots | 83,197 | 46,840 |
| Lot deposits | 241,406 | 66,272 |
| Equity method investments | 15,967 | 4,545 |
| Property and equipment, net | 6,789 | 4,309 |
| Operating lease right-of-use assets | 19,359 | 14,219 |
| Finance lease right-of-use assets | 140 | 336 |
| Intangible assets, net of amortization | 9,140 | 2,660 |
| Goodwill | 171,927 | 28,566 |
| Deferred tax asset | 4,232 | - |
| Other assets (VIE amounts of \$1,289 and \$1,288) | 43,822 | 18,262 |
| Total assets | <u>\$ 1,894,248</u> | <u>\$ 733,680</u> |
| Liabilities | | |
| Accounts payable (VIE amounts of \$656 and \$1,316) | \$ 113,498 | \$ 37,419 |
| Accrued expenses (VIE amounts of \$7,284 and \$9,977) | 139,368 | 67,401 |
| Customer deposits | 177,685 | 59,392 |
| Construction lines of credit | 760,000 | 289,879 |
| Notes payable (VIE amounts of \$2,697 and \$8,821) | 3,291 | 29,653 |
| Operating lease liabilities | 19,826 | 14,411 |
| Finance lease liabilities | 140 | 345 |
| Contingent consideration | 124,056 | 23,158 |
| Total liabilities | <u>\$ 1,337,864</u> | <u>\$ 521,657</u> |
| <i>Commitments and contingencies</i> | | |
| Mezzanine Equity | | |
| Preferred mezzanine equity | 155,220 | 55,638 |
| Common mezzanine equity | - | 20,593 |
| Total mezzanine equity | <u>\$ 155,220</u> | <u>\$ 76,231</u> |
| Members' Equity | | |
| Common members' equity | - | 103,853 |
| Total members' equity | <u>\$ -</u> | <u>\$ 103,853</u> |
| Stockholders' Equity - Dream Finders Homes, Inc. | | |
| Class A common stock, \$0.01 per share, 289,000 authorized, 32,295 outstanding | 323 | - |
| Class B common stock, \$0.01 per share, 61,000 authorized, 60,226 outstanding | 602 | - |
| Additional paid-in capital | 257,963 | - |
| Retained earnings | 118,194 | - |
| Non-controlling interests | 24,081 | 31,939 |
| Total mezzanine equity, members' equity and stockholders' equity | <u>556,383</u> | <u>212,023</u> |
| Total liabilities, mezzanine equity, members' equity and stockholders' equity | <u>\$ 1,894,248</u> | <u>\$ 733,680</u> |

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Anabel Fernandez – Interim CFO & Senior Vice President
Robert Riva – General Counsel & Vice President

SOURCE: Dream Finders Homes, Inc.