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

FORM 10-Q

(Mark One)

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2023

OR

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from ________ to _________.

Commission file number 001-39916

DREAM FINDERS HOMES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**85-2983036**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
14701 Philips Highway, Suite 300, Jacksonville, FL	**32256**
(Address of principal executive offices)	**(Zip code)**

(904) 644-7670
(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
Class A Common Stock, par value $0.01 per share	DFH	New York Stock Exchange

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 x No o

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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

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. o

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

As of August 3, 2023, there were 32,882,124 shares of the registrant's Class A common stock, par value $0.01 per share, issued and outstanding and 60,226,153 shares of the registrant's Class B common stock, par value $0.01 per share, issued and outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. DREAM FINDERS HOMES, INC. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DREAM FINDERS HOMES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	June 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	$ 292,510	$ 364,531
Restricted cash (VIE amounts of $9,312 and $4,372)	33,081	30,599
Accounts receivable (VIE amounts of $590 and $580)	31,433	43,490
Inventories:		
Construction in process and finished homes	1,212,289	1,175,107
Company owned land and lots	203,932	196,563
VIE owned land and lots	1,037	6,515
Total inventories	1,417,258	1,378,185
Lot deposits	247,903	277,258
Other assets (VIE amounts of $2,238 and $1,877)	50,315	59,438
Investments in unconsolidated entities	13,948	14,008
Property and equipment, net	7,948	7,337
Operating lease right-of-use assets	21,624	24,084
Goodwill	172,207	172,207
Total assets	$ 2,288,227	$ 2,371,137
Liabilities		
Accounts payable (VIE amounts of $15 and $353)	$ 124,185	$ 134,702
Accrued expenses (VIE amounts of $2,575 and $4,434)	89,854	184,051
Customer deposits	163,237	145,654
Construction lines of credit	875,672	966,248
Operating lease liabilities	22,300	24,661
Contingent consideration	93,500	115,128
Total liabilities	$ 1,368,748	$ 1,570,444
Commitments and contingencies (Note 4)		
Mezzanine Equity		
Preferred mezzanine equity	156,479	156,045
Stockholders' Equity		
Class A common stock, $0.01 per share, 289,000,000 authorized, 32,882,124 and 32,533,883 outstanding as of June 30, 2023 and December 31, 2022, respectively	329	325
Class B common stock, $0.01 per share, 61,000,000 authorized, 60,226,153 outstanding	602	602
Additional paid-in capital	270,905	264,757
Retained earnings	476,663	365,994
Noncontrolling interests	14,501	12,970
Total mezzanine and stockholders' equity	919,479	800,693
Total liabilities, mezzanine equity and stockholders' equity	$ 2,288,227	$ 2,371,137

The accompanying notes are an integral part of these condensed consolidated financial statements.

DREAM FINDERS HOMES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues:				
Homebuilding	$ 942,880	$ 791,230	$ 1,710,356	$ 1,453,703
Other	2,459	1,904	4,403	3,497
Total revenues	945,339	793,134	1,714,759	1,457,200
Homebuilding cost of sales	762,855	635,422	1,400,199	1,174,290
Selling, general and administrative expense	73,709	66,015	134,470	127,725
Income from unconsolidated entities	(4,704)	(3,334)	(7,662)	(6,294)
Contingent consideration revaluation	18,266	5,042	23,582	9,234
Other (income) expense, net	(635)	291	(1,065)	(665)
Income before taxes	95,848	89,698	165,235	152,910
Income tax expense	(24,206)	(23,327)	(41,842)	(40,205)
Net and comprehensive income	71,642	66,371	123,393	112,705
Net and comprehensive income attributable to noncontrolling interests	(2,878)	(3,747)	(5,540)	(6,365)
Net and comprehensive income attributable to Dream Finders Homes, Inc.	$ 68,764	$ 62,624	$ 117,853	$ 106,340
Earnings per share				
Basic	$ 0.70	$ 0.64	$ 1.19	$ 1.07
Diluted	$ 0.65	$ 0.60	$ 1.09	$ 1.02
Weighted-average number of shares				
Basic	93,108,277	92,758,939	93,025,626	92,758,939
Diluted	105,439,519	104,566,243	107,704,859	103,531,560

The accompanying notes are an integral part of these condensed consolidated financial statements.

DREAM FINDERS HOMES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
Three and six months ended June 30, 2023
(In thousands, except share amounts)
(Unaudited)

	Redeemable Preferred Mezzanine		Common Stock - Class A		Common Stock - Class B		Additional Paid-in Capital	Retained Earnings	Total Non-Controlling Interests	Total Equity
	Units	Amount	Shares	Amount	Shares	Amount				
Balance as of March 31, 2023	**157,143**	**$ 156,259**	**32,775,526**	**$ 327**	**60,226,153**	**$ 602**	**$ 267,185**	**$ 411,494**	**$ 14,608**	**$ 850,475**
Stock-based compensation	—	—	—	—	—	—	4,044	—	—	4,044
Vesting of stock-based compensation	—	—	130,008	2	—	—	(2)	—	—	—
Withholding of common stock for taxes	—	—	(23,410)	—	—	—	(322)	—	—	(322)
Distributions	—	—	—	—	—	—	—	—	(2,985)	(2,985)
Preferred dividends declared	—	—	—	—	—	—	—	(3,375)	—	(3,375)
Net and comprehensive income	—	220	—	—	—	—	—	68,544	2,878	71,642
Balance as of June 30, 2023	**157,143**	**$ 156,479**	**32,882,124**	**$ 329**	**60,226,153**	**$ 602**	**$ 270,905**	**$ 476,663**	**$ 14,501**	**$ 919,479**

	Redeemable Preferred Mezzanine		Common Stock - Class A		Common Stock - Class B		Additional Paid-in Capital	Retained Earnings	Total Non-Controlling Interests	Total Equity
	Units	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2022	**157,143**	**$ 156,045**	**32,533,883**	**$ 325**	**60,226,153**	**$ 602**	**$ 264,757**	**$ 365,994**	**$ 12,970**	**$ 800,693**
Stock-based compensation	—	—	—	—	—	—	6,474	—	—	6,474
Vesting of stock-based compensation	—	—	371,841	4	—	—	(4)	—	—	—
Withholding of common stock for taxes	—	—	(23,600)	—	—	—	(322)	—	—	(322)
Distributions	—	—	—	—	—	—	—	—	(4,009)	(4,009)
Preferred dividends declared	—	—	—	—	—	—	—	(6,750)	—	(6,750)
Net and comprehensive income	—	434	—	—	—	—	—	117,419	5,540	123,393
Balance as of June 30, 2023	**157,143**	**$ 156,479**	**32,882,124**	**$ 329**	**60,226,153**	**$ 602**	**$ 270,905**	**$ 476,663**	**$ 14,501**	**$ 919,479**

The accompanying notes are an integral part of these condensed consolidated financial statements.

DREAM FINDERS HOMES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (continued)
Three and six months ended June 30, 2022
(In thousands, except share amounts)
(Unaudited)

	Redeemable Preferred Mezzanine		Common Stock - Class A		Common Stock - Class B		Additional Paid-in Capital	Retained Earnings	Total Non-Controlling Interests	Total Equity
	Units	Amount	Shares	Amount	Shares	Amount				
Balance as of March 31, 2022	**157,143**	**$ 155,417**	**32,295,329**	**$ 323**	**60,226,153**	**$ 602**	**$ 259,328**	**$ 158,611**	**$ 21,511**	**$ 595,792**
Stock-based compensation	—	—	83,610	—	153,847	—	1,879	—	—	1,879
Distributions	—	—	—	—	—	—	—	—	(13,202)	(13,202)
Preferred dividends declared	—	—	—	—	—	—	—	(3,685)	—	(3,685)
Net and comprehensive income	—	204	—	—	—	—	—	62,420	3,747	66,371
Balance as of June 30, 2022	**157,143**	**$ 155,621**	**32,378,939**	**$ 323**	**60,380,000**	**$ 602**	**$ 261,207**	**$ 217,346**	**$ 12,056**	**$ 647,155**

	Redeemable Preferred Mezzanine		Common Stock - Class A		Common Stock - Class B		Additional Paid-in Capital	Retained Earnings	Total Non-Controlling Interests	Total Equity
	Units	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2021	**157,143**	**$ 155,220**	**32,295,329**	**$ 323**	**60,226,153**	**$ 602**	**$ 257,963**	**$ 118,194**	**$ 24,081**	**$ 556,383**
Stock-based compensation	—	—	83,610	—	153,847	—	3,244	—	—	3,244
Distributions	—	—	—	—	—	—	—	—	(18,390)	(18,390)
Preferred dividends declared	—	—	—	—	—	—	—	(6,787)	—	(6,787)
Net and comprehensive income	—	401	—	—	—	—	—	105,939	6,365	112,705
Balance as of June 30, 2022	**157,143**	**$ 155,621**	**32,378,939**	**$ 323**	**60,380,000**	**$ 602**	**$ 261,207**	**$ 217,346**	**$ 12,056**	**$ 647,155**

The accompanying notes are an integral part of these condensed consolidated financial statements.

DREAM FINDERS HOMES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash Flows from Operating Activities		
Net and comprehensive income	$ 123,393	$ 112,705
Adjustments to Reconcile Net Income to Net cash provided by/(used in) operating activities		
Depreciation and amortization	5,312	4,230
Gain on sale of property and equipment	(20)	(16)
Amortization of debt issuance costs	2,264	1,860
Extinguishment of unamortized debt issuance costs	—	282
Amortization of right-of-use operating lease assets	3,617	2,489
Stock-based compensation	6,474	3,244
Deferred tax (benefit) expense	(2,036)	16,633
Return on investments, net of income from unconsolidated entities	60	1,372
Revaluation of contingent consideration	23,582	9,234
Payments of contingent consideration	(12,618)	—
Changes in Operating Assets and Liabilities		
Accounts receivable	12,057	3,203
Inventories	(39,073)	(289,355)
Lot deposits	29,355	(47,021)
Other assets	6,069	(32,058)
Accounts payable and accrued expenses	(104,715)	(13,374)
Customer deposits	17,583	13,260
Operating lease liabilities	(3,518)	(2,439)
Net cash provided by/(used in) operating activities	67,786	(215,751)
Cash Flows from Investing Activities		
Purchase of property and equipment	(3,003)	(1,923)
Proceeds from disposal of property and equipment	52	42
Return of investments from unconsolidated entities	—	407
Net cash used in investing activities	(2,951)	(1,474)
Cash Flows from Financing Activities		
Proceeds from construction lines of credit	5,410,000	230,578
Principal payments on construction lines of credit	(5,500,576)	(117,301)
Payments of debt issuance costs	(125)	(5,069)
Payments of preferred stock dividends	(6,750)	(6,787)
Payments for common stock withheld for taxes	(322)	—
Distributions to noncontrolling interests	(4,009)	(18,390)
Payments of contingent consideration	(32,592)	(17,735)
Net cash (used in)/provided by financing activities	(134,374)	65,296
Net decrease in cash, cash equivalents and restricted cash	(69,539)	(151,929)
Cash, cash equivalents and restricted cash at beginning of period	395,130	281,322
Cash, cash equivalents and restricted cash at end of period	$ 325,591	$ 129,393
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 292,510	$ 84,097
Restricted cash	33,081	45,296
Total cash, cash equivalents and restricted cash	$ 325,591	$ 129,393
Supplemental disclosures of noncash activities:		
Noncash Financing Activities		
Accrued distributions	$ 434	$ —
Leased assets obtained in exchange for new operating lease liabilities	1,157	8,239
Total noncash activities	$ 1,591	$ 8,239

The accompanying notes are an integral part of these condensed consolidated financial statements.

DREAM FINDERS HOMES, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Business and Significant Accounting Policies

Nature of Business

Dream Finders Homes, Inc. (together with its subsidiaries, "Dream Finders", the "Company" or "DFH, Inc.")designs, builds and sells homes in markets throughout the United States. The Company also offers title insurance and mortgage banking solutions. The Company was incorporated in the State of Delaware on September 11, 2020.

Basis of Presentation and Consolidation

The accompanying unaudited, condensed consolidated financial statements include the accounts of DFH, Inc., its wholly owned subsidiaries and its investments that qualify for consolidation treatment (see Note 5, Variable Interest Entities), including Dream Finders Holdings, LLC ("DFH LLC"), which is the legal entity that issued the outstanding Series B Preferred Units. The accompanying statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and with instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for a complete set of financial statements. As such, the accompanying statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022. The accompanying statements include all adjustments that are of a normal, recurring nature and necessary for the fair presentation of our results for the interim periods presented, which are not necessarily indicative of results to be expected for the full year. All intercompany accounts and transactions have been eliminated in consolidation. There are no other components of comprehensive income not already reflected in net and comprehensive income on our Condensed Consolidated Statements of Comprehensive Income.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Contingent Consideration

In connection with applicable business combinations, the Company records the fair value of contingent consideration as a liability on the acquisition date as prescribed by the underlying agreement. The initial measurement of contingent consideration is based on projected cash flows such as revenues, gross margin, overhead expenses and pre-tax income of the acquired business and is discounted to present value using the discounted cash flow method. The remaining estimated contingent consideration payments are subsequently remeasured to fair value at each reporting date based on the estimated future earnings of the acquired entities and the re-assessment of risk-adjusted discount rates that reflect current market conditions.

Maximum potential exposure for contingent consideration is not estimable based on the contractual terms of the contingent consideration agreements, which allow for a percentage payout based on a potentially unlimited range of pre-tax net income.

As of June 30, 2023 and December 31, 2022, the Company remeasured the fair value of contingent consideration related to the 2020 acquisition of H&H Constructors of Fayetteville, LLC and adjusted the liability to $10.2 million and $11.6 million, respectively, based on actual results achieved, revised pre-tax income forecasts and revised discount rates as of the balance sheet date and from accretion of the liability. The Company recorded contingent consideration adjustments resulting in $1.7 million of expense and $0.7 million of expense for the three months ended June 30, 2023 and 2022, and $3.2 million of expense and $2.5 million of expense for the six months ended June 30, 2023 and 2022, respectively.

As of June 30, 2023 and December 31, 2022, the Company remeasured the fair value of contingent consideration related to the 2021 acquisition of McGuyer Homebuilders, Inc. ("MHI") and adjusted the liability to $83.3 million and $102.1 million, respectively, based on actual results achieved, revised pre-tax income forecasts and revised discount rates as of the balance sheet date and from accretion of the liability. The Company recorded contingent consideration adjustments resulting in $16.6 million of expense and $1.9 million of expense for the three months ended June 30, 2023 and 2022, and $20.0 million of expense and $3.9 million of expense for the six months ended June 30, 2023 and 2022, respectively. The increase in contingent consideration expense is primarily due to fair value adjustments from actual results achieved being better-than-projected and the related increase in expected future earnout payments from the MHI acquisition.

See Note 8, Fair Value Disclosures for the fair value measurement of contingent consideration.

Share Buyback Program

In June 2023, the Company's Board of Directors (the "Board") approved a share buyback program under which the Company can repurchase up to $25 million of its Class A common stock through June 30, 2026 in open market purchases, privately negotiated transactions, or otherwise in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The actual timing, number and value of shares repurchased under the share buyback program will depend on a number of factors, including constraints specified in any Rule 10b5-1 trading plans, price, general business and market conditions, and alternative investment opportunities. The share buyback program does not obligate the Company to acquire any specific number of shares in any period, and may be expanded, extended, modified or discontinued at any time. The Company has not repurchased any stock under the share buyback program.

Reclassifications

Certain reclassifications have been made in the condensed consolidated financial statements for 2022 to conform to the classifications used in 2023.

2. Construction Lines of Credit

On June 2, 2022, the Company entered into an agreement to amend and restate its previous credit agreement (the "Existing Credit Agreement" or the "Credit Agreement"). The Existing Credit Agreement (i) provides for aggregate commitments under the facility up to $1.1 billion, inclusive of an additional commitment of $50.0 million under the terms of the accordion feature; (ii) allows the facility to expand to a borrowing base of up to $1.6 billion through its accordion feature; (iii) has a maturity date of June 2, 2025; and (iv) references a Secured Overnight Financing Rate ("SOFR") based rate, as described below. Certain of our subsidiaries guaranteed the Company's obligations under the Existing Credit Agreement.

Under the Existing Credit Agreement, loans bear interest at the Company's option of (1) a "Base Rate", which means, for any day, a fluctuating rate per annum equal to credit spreads of 1.5% to 2.6%, which are determined based on the Company's net debt-to-capitalization ratio, plus the highest of (a) the Federal Funds Rate plus 0.5%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate," (c) Term SOFR plus 1.0% and (d) 1.0%, or (2) a "Term SOFR/Letter of Credit Rate", which means for any day a fluctuating rate per annum equal to credit spreads of 2.5% to 3.6%, which are determined based on the Company's debt-to-capitalization ratio, plus the adjusted term SOFR rate (based on one, three or six-month interest periods).

As of June 30, 2023 and December 31, 2022, the outstanding balance under the Existing Credit Agreement was $875.0 million and $965.0 million, respectively. Under the Existing Credit Agreement, the funds available are unsecured and availability under the borrowing base is calculated based on specified percentages of finished lots, construction in process, and finished homes inventory on the Condensed Consolidated Balance Sheets.

The Company had capitalized debt issuance costs related to the line of credit and notes payable, net of amortization, of $4.8 million and $7.3 million as of June 30, 2023 and December 31, 2022, respectively, which were included in other assets on the Condensed Consolidated Balance Sheets. The Company amortized $1.2 million and $1.1 million of debt issuance costs for the three months ended June 30, 2023 and 2022, and $2.3 million and $1.9 million of debt issuance costs for the six months ended June 30, 2023 and 2022, respectively. Debt issuance costs are expensed in cost of sales as the homes close.

The Existing Credit Agreement contains restrictive covenants and financial covenants. The Company was in compliance with all debt covenants as of June 30, 2023 and December 31, 2022. The Company expects to remain in compliance with all debt covenants over the next twelve months.

Refer to Note 11, Subsequent Events, for changes to the Existing Credit Agreement.

3. Inventories

Inventories consist of finished lots, construction in process ("CIP") and finished homes, including capitalized interest. In addition, lot option fees related to off-balance sheet arrangements and due diligence costs related to land development are also capitalized into inventory. Finished lots are purchased with the intent of building and selling a home, and are generally purchased just-in-time for construction. CIP represents the homebuilding activity associated with homes to be sold and speculative homes. CIP includes the cost of finished lots and all of the direct costs incurred to build homes. The cost of homes is expensed on a specific identification basis.

Interest is capitalized and included within each inventory category above. Capitalized interest activity is summarized in the table below for the three and six months ended June 30, 2023 and 2022 (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Capitalized interest at the beginning of the period	$ 108,900	$ 49,392	$ 94,603	$ 33,266
Interest incurred	41,293	25,447	78,009	50,433
Interest expensed	(1)	(13)	(1)	(26)
Interest charged to homebuilding cost of sales	(32,798)	(12,790)	(55,217)	(21,637)
Capitalized interest at the end of the period	$ 117,394	$ 62,036	$ 117,394	$ 62,036

The Company reviews the performance and outlook of its inventories for indicators of potential impairment on a quarterly basis at the community level. In addition to considering market and economic conditions, the Company assesses current sales absorption levels and recent profitability. The Company looks for instances where sales prices for a home in backlog or potential sales prices for a future sold home would be at a level at which the carrying value of the home may not be recoverable. There were no inventory impairment charges and $0.6 million in inventory impairment charges recorded for the three and six months ended June 30, 2023, respectively, andno inventory impairment charges recorded for the three and six months ended June 30, 2022. The Company reviews lot deposits for impairment on a quarterly basis and will record an impairment charge if it believes it will forfeit its deposit on an individual or portfolio of lots. There were $0.7 million and $1.6 million in lot deposit impairment charges recorded for the three and six months ended June 30, 2023, respectively, and no lot deposit impairment charges recorded for the three and six months ended June 30, 2022.

4. Commitments and Contingencies

Silver Meadows Townhome Owners Association, Inc. Lawsuit

On October 9, 2019, Silver Meadows Townhome Owners Association, Inc. filed a lawsuit in Boulder County Colorado District Court against DFH Mandarin, LLC ("Mandarin") and Dream Finders Homes, LLC (collectively with Mandarin, "DFH"), both wholly owned subsidiaries of the Company, as well as other named defendants. The lawsuit alleges certain construction and development defects. Mandarin successfully compelled arbitration. On March 2, 2022 during arbitration proceedings, the parties settled the matter for $12.0 million subject to the execution of a mutually acceptable settlement agreement, including a denial of any admission of liability on behalf of DFH. DFH's insurance carrier agreed to pay the policy limit of $4.0 million toward the settlement. In April 2022, the parties executed a mutually acceptable settlement agreement and DFH paid the settlement amount, net of the insurance proceeds received. In April 2022, DFH also commenced arbitration to seek contribution toward DFH's portion of the settlement amount from responsible subcontractors and vendors who performed work on the project. Subsequent to the settlement with the Silver Meadows Townhome Owners Association, Inc., DFH settled with one subcontractor for contribution toward DFH's amounts paid toward the settlement and continued its proceedings to collect additional contributions from responsible subcontractors and vendors, which is still in progress as of the date of this filing. No such additional contributions from the vendors have been collected for the three and six months ended June 30, 2023 and 2022. However, the arbitrator entered a scheduling order on May 1, 2023, which set the final arbitration hearing for October 4, 2024, with the next status conference set for August 8, 2023.

5. Variable Interest Entities

The Company holds investments in certain limited partnerships and similar entities that conduct land acquisition, land development and/or other homebuilding activities in various markets where our homebuilding operations are located, which are considered variable interests. The Company also has an interest in Jet Home Loans LLC ("Jet Home Loans" or "Jet LLC"), where the primary activities include underwriting, originating and selling home mortgages.

The Company's investments create a variable interest in a variable interest entity ("VIE"), depending on the contractual terms of the arrangement. Additionally, the Company, in the ordinary course of business, enters into option contracts with third parties and unconsolidated entities for the ability to acquire rights to finished lots for the construction of homes. Under these contracts, the Company typically makes a specified earnest money deposit in consideration for the right to purchase finished lots in the future, usually at a predetermined price.

The VIEs are funded by initial capital contributions from the Company, as well as its other partners, and generally do not have significant debt. In some cases, an unrelated third party is the general partner or managing member and, in others, the general partner or managing member is a related party. The primary risk of loss associated with the Company's involvement in these VIEs is limited to the Company's initial capital contributions due to bankruptcy or insolvency of the VIE; however, management has deemed the likelihood of this as remote. The maximum exposure to loss related to the VIEs is disclosed below for both consolidated and unconsolidated VIEs, which equals the Company's capital investment in each entity.

Pursuant to ASC 810 and subtopics related to the consolidation of VIEs, management analyzes the Company's investments first under the variable interest model to determine if they are VIEs and, if so, whether the Company is the primary beneficiary. Management determines whether the Company is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion if changes to the Company's involvement arise. To make this determination, management considers factors such as whether the Company could direct finance, determine or limit the scope of the entity, sell or transfer property, direct development or direct other operating decisions. The primary beneficiary is defined as the entity having both of the following characteristics: 1) the power to direct the activities that most significantly impact the VIE's economic performance, and 2) the obligation to absorb losses and rights to receive the returns from the VIE that would be potentially significant to the VIE. Management consolidates the entity if the Company is the primary beneficiary or if a standalone primary beneficiary does not exist and the Company and its related parties collectively meet the definition of a primary beneficiary. If the investment does not qualify as a VIE under the variable interest model, management then evaluates the entity under the voting interest model to assess if consolidation is appropriate.

Consolidated VIEs

For VIEs that the Company does consolidate, management has the power to direct the activities that most significantly impact the VIEs' economic performance. The Company typically serves as the party with homebuilding expertise in the VIE. The Company does not guarantee the debts of the VIEs, and creditors of the VIEs have no recourse against the Company.

The table below displays the carrying amounts of the assets and liabilities related to the consolidated VIEs (in thousands):

Consolidated	As of June 30, 2023	As of December 31, 2022
Assets	$ 13,177	$ 13,344
Liabilities	$ 2,590	$ 4,787

Unconsolidated VIEs

For VIEs that the Company does not consolidate, the Company does not hold the power to direct the activities that most significantly impact the VIEs' economic performance. The Company's maximum exposure to loss is limited to its investment in the entities because the Company is not obligated to provide them any additional capital and does not guarantee any of the unconsolidated VIEs' debt.

The table below shows the Company’s investments in the unconsolidated VIEs (in thousands):

Unconsolidated	As of June 30, 2023	As of December 31, 2022
Jet Home Loans	$ 8,081	$ 7,102
Other unconsolidated VIEs	5,867	6,906
Total investment in unconsolidated VIEs	$ 13,948	$ 14,008

Lot Option Contracts

The Company generally does not engage in the land development business. Instead, the Company employs an asset-light land financing strategy, providing us optionality to purchase lots on a ‘‘just-in-time’’ basis for construction and affording us flexibility to acquire lots at a rate that matches the expected sales pace in a given community. The Company primarily employs two variations of our asset-light land financing strategy—finished lot option contracts and land bank option contracts—pursuant to which the Company secures the right to purchase finished lots at predetermined market prices from various land sellers and land bank partners, by paying deposits based on the aggregate purchase price of the finished lots. These option contracts generally allow us, at our option, to forfeit our right to purchase the lots controlled for any reason, and our sole legal obligation and economic loss as a result of such forfeitures is limited to the amount of the deposits paid pursuant to such option contracts and, in the case of land bank option contracts, our loss is limited to the related lot option fees paid to the land bank partner, any potential performance obligations, management of the land development to completion and any cost overruns relative to the project.

None of the creditors of any of the land bank entities with which the Company enters into lot option contracts have recourse to our general credit. The Company generally does not have any specific performance obligations to purchase a certain number or any of the lots or guarantee any of the land bankers’ financial or other liabilities. The Company is not involved in the design or creation of the land bank entities from which the Company purchases lots under lot option contracts. The land bankers’ equity holders have the power to direct 100% of the operating activities of the land bank entity. The Company hasno voting rights in any of the land bank entities. The sole purpose of the land bank entity’s activities is to generate positive cash flow returns for such entity’s equity holders. Further, the Company does not share in any of the profit or loss generated by the project’s development. The profits and losses are passed directly to the land bankers’ equity holders.

The deposit placed by us pursuant to the lot option contracts is deemed to be a variable interest in the respective land bank entities. Certain of those land bank entities are deemed to be VIEs. Therefore, the land bank entities with which the Company enters into lot option contracts are evaluated for possible consolidation by the Company.

The Company believes the activities that most significantly impact a land bank entity’s economic performance are the operating activities of the land bank entity. In the case of development projects, unless and until a land bank entity delivers finished lots for sale, the land bank entity’s equity investors bear the risk of land ownership and do not earn any revenues, except for lot option fees paid by the Company. The operating development activities are directed by the land bank entity’s equity investors.

Dream Finders possesses no more than limited protective legal rights through the lot option contracts in the specific finished lots that are purchased, and possesses no participative rights in the land bank entities. Accordingly, the Company does not have the power to direct the activities of a land bank entity that most significantly impact its economic performance. For the aforementioned reasons, the Company concluded that it is not the primary beneficiary of the land bank entities with which it enters into lot option contracts, and therefore the Company does not consolidate any of these VIEs. The Company’s risk of loss related to finished lot option and land bank option deposits and related fees and interest was $316.7 million and $461.6 million as of June 30, 2023 and December 31, 2022, respectively.

6. Income Taxes

The Company’s effective tax rate for the six months ended June 30, 2023 and 2022 is estimated to be25.3% and 26.3%, respectively. The effective tax rate decrease of1.0% is primarily attributable to including an estimate of the 45L tax credit during the six months ended June 30, 2023, but not during the six months ended June 30, 2022 due to the timing of the enactment of the legislation.

7. Segment Reporting

The Company primarily operates in the homebuilding business and is organized and reported by division. There aresix reportable segments: (i) Jacksonville, (ii) Colorado, (iii) Orlando, (iv) The Carolinas, (v) Texas and (vi) Jet LLC, the Company's mortgage operations. The MHI operations comprise the Texas segment, which excludes legacy Austin, Texas operations. The remaining operating segments are combined into the "Other" category, along with the corporate component, which is not considered an operating segment. During the second quarter of 2023, the CODM's most relevant measure of profit and loss for segment reporting changed from net and comprehensive income to income before taxes. The comparative disclosures below reflect this change in segment reporting for the three and six months ended June 30, 2022.

The following tables summarize revenues and income before taxes by segment for the three and six months ended June 30, 2023 and 2022, as well as total assets and goodwill by segment as of June 30, 2023 and December 31, 2022 (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Revenues:	**2023**	**2022**	**2023**	**2022**
Jacksonville	$ 164,161	$ 180,853	$ 307,102	$ 315,684
Colorado	46,936	39,431	92,840	77,584
Orlando	144,027	60,468	260,089	107,311
The Carolinas	121,004	118,180	225,977	201,763
Texas	362,110	305,068	640,037	580,492
Jet Home Loans	8,647	6,695	17,062	13,653
Other (1)	107,101	89,134	188,714	174,366
Total segment revenues	953,986	799,829	1,731,821	1,470,853
Reconciling items from equity method investments	(8,647)	(6,695)	(17,062)	(13,653)
Consolidated revenues	$ 945,339	$ 793,134	$ 1,714,759	$ 1,457,200

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Income before taxes	**2023**	**2022**	**2023**	**2022**
Jacksonville	$ 23,873	$ 36,615	$ 39,018	$ 60,218
Colorado	3,331	6,483	6,699	12,595
Orlando	19,236	5,359	32,300	9,298
The Carolinas	6,677	8,695	10,879	11,642
Texas	39,815	31,364	67,472	54,919
Jet Home Loans	4,310	2,908	8,962	6,003
Other (1)	765	(269)	4,395	1,321
Total segment income before taxes	98,007	91,155	169,725	155,996
Reconciling items from equity method investments	(2,159)	(1,457)	(4,490)	(3,086)
Consolidated income before taxes	$ 95,848	$ 89,698	$ 165,235	$ 152,910

	Assets:		Goodwill:	
	As of June 30, 2023	As of December 31, 2022	As of June 30, 2023	As of December 31, 2022
Jacksonville	$ 280,527	$ 300,491	$ —	$ —
Colorado	210,497	187,813	—	—
Orlando	303,250	276,720	1,795	1,795
The Carolinas	259,669	311,469	16,853	16,853
Texas	660,045	793,219	141,071	141,071
Jet Home Loans	73,864	96,108	—	—
Other (1)	565,931	494,150	12,488	12,488
Total segments	2,353,783	2,459,970	172,207	172,207
Reconciling items from equity method investments	(65,556)	(88,833)	—	—
Consolidated	$ 2,288,227	$ 2,371,137	$ 172,207	$ 172,207

(1) Other includes the Company’s title operations, homebuilding operations in non-reportable segments, operations of the corporate component, and corporate assets such as cash and cash equivalents, cash held in trust, prepaid insurance, operating and financing leases, as well as property and equipment.

8. Fair Value Disclosures

Fair value represents the amount 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. The fair values are determined using a fair value hierarchy based on the inputs used to measure fair value. Level 1 inputs are unadjusted quoted prices in active markets for identical assets and liabilities. Level 2 inputs are inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable and significant to the fair value.

The following table presents a summary of the change in fair value measurement of contingent consideration, which is based on Level 3 inputs and is the only asset or liability measured at fair value on a recurring basis (in thousands):

Beginning balance, December 31, 2022	$ 115,128
Fair value adjustments related to prior year acquisitions	23,582
Contingent consideration payments	(45,210)
Ending balance, June 30, 2023	$ 93,500

Fair value measurements may also be utilized on a nonrecurring basis, such as for the impairment of long-lived assets and inventory. The fair value of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, notes payable and customer deposits, approximate their carrying amounts due to the short-term nature of these instruments. The fair value of the construction lines of credit approximate their carrying amounts since they are subject to short-term fixed interest rates that reflect current market rates.

9. Related Party Transactions

The Company enters into or participates in related party transactions. The majority of these transactions are entered into to secure finished lots for the construction of new homes.

Consolidated VIEs

The Company has arrangements to acquire land, develop finished lots and build homes. Certain stockholders, directors and members of management of the Company, have invested in these VIEs and some are limited partners in these VIEs. DFH Investors LLC is the managing member of certain of these VIEs. The VIEs are consolidated for accounting purposes (see Note 5, Variable Interest Entities).

DF Residential I, LP

DF Residential I, LP ("Fund I") is a real estate investment vehicle organized to acquire and develop finished lots. DF Capital Management, LLC ("DF Capital") is the investment manager of Fund I. The Company owns a 49% membership interest in DF Capital. DF Capital is controlled by unaffiliated parties. The general partner of Fund I is DF Management GP, LLC ("DF Management"). Dream Finders Homes LLC is one of four members of DF Management with a 25.8% membership interest. Fund I was fully committed in 2019 for a total of $36.7 million. Dream Finders Homes LLC and DFH Investors LLC, collectively invested $1.4 million or 3.8% of the total committed capital of Fund I. Dream Finders Homes LLC has entered into six joint ventures and ten land bank projects with Fund I since its formation in January 2017.

DF Residential II, LP

DF Residential II, LP ("Fund II") initiated its first close on March 11, 2021. DF Management GP II, LLC, a Florida limited liability company, serves as the general partner of Fund II (the "General Partner"). Fund II raised total capital commitments of $322.1 million and was fully committed as of January 2022. DF Capital is the investment manager of Fund II.

The Company indirectly owns 72.0% of the membership interests in the General Partner and receives 72.0% of the economic interests. The General Partner is controlled by unaffiliated parties. The Company's investment commitment in Fund II is $3.0 million or 0.9% of the total committed capital of Fund II.

On March 11, 2021, the Company entered into land bank financing arrangements and a Memorandum of Right of First Offer with Fund II, under which Fund II has an exclusive right of first offer on any land bank financing projects that meet its investment criteria and are undertaken by the Company during Fund II's investment period.

Certain directors, executive officers and members of management have made investment commitments as limited partners in Fund II in an aggregate amount of $133.9 million or 41.6% of the total committed capital of Fund II as of June 30, 2023, inclusive of a $100.0 million commitment from Rockpoint Group, LLC discussed below.

Land Bank Transactions with DF Capital

DF Capital raised additional commitments from limited partners through deals other than Fund I and Fund II, which provided land bank financing for specific projects. One of the Company's officers invested $0.2 million in one of these funds managed by DF Capital as a limited partner in 2019. The Company continues to purchase lots controlled by these funds.

As of June 30, 2023 and December 31, 2022, the Company had $58.1 million and $58.6 million, respectively, in outstanding lot deposits primarily related to Fund II and other land bank transaction deals in relation to DF Capital projects, controlling approximately 4,800 lots.

Transactions with Rockpoint Group, LLC and affiliates

From time to time, the Company enters into land bank option contracts with Rockpoint Group, LLC ("Rockpoint") or its affiliates in connection with the Company's acquisition and development of land. Rockpoint or its affiliate provides the funding for the land acquisition and the Company secures the right to purchase finished lots at market prices by paying deposits based on the aggregate purchase price of the finished lots and any related fees, similar to land bank option contracts with third-party land bankers. William H. Walton III is the founding principal and chief executive officer of Rockpoint. Mr. Walton served as a member of the Board through May 21, 2023. During the six months ended June 30, 2023, no transactions were entered into between Rockpoint and the Company.

Jet Home Loans

Jet LLC performs mortgage origination activities for the Company, including underwriting and originating home mortgages for Company customers and non-Company customers. The Company owns 49.9% of Jet LLC, but is not the primary beneficiary. Jet LLC is accounted for under the equity method and is a related party of the Company (Note 7, Segment Reporting).

10. Earnings per Share

The following weighted-average shares and share equivalents were used to calculate basic and diluted earnings per share ("EPS") for the three and six months ended June 30, 2023 and 2022 (in thousands, except share amounts):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator				
Net and comprehensive income attributable to Dream Finders Homes, Inc.	$ 68,764	$ 62,624	$ 117,853	$ 106,340
Less: Preferred dividends	3,595	3,616	7,184	7,195
Net and comprehensive income available to common stockholders[(1)]	$ 65,169	$ 59,008	$ 110,669	$ 99,145
Denominator				
Weighted-average number of common shares outstanding - basic	93,108,277	92,758,939	93,025,626	92,758,939
Add: Common stock equivalent shares[(2)]	12,331,242	11,807,304	14,679,233	10,772,621
Weighted-average number of shares outstanding - diluted	105,439,519	104,566,243	107,704,859	103,531,560

(1) For the diluted earnings per share calculation, $3.4 million and $6.8 million in preferred dividends associated with convertible preferred stock that are assumed to be converted have been added back to the numerator, for both the three months ended June 30, 2023 and 2022, and for both the six months ended June 30, 2023 and 2022, respectively. The remaining amount of preferred dividends that are not added back to the numerator are associated with paid-in-kind dividends for preferred mezzanine equity which is not convertible into the Company's common stock. Since the conversion price of the Company's convertible preferred stock is based on an average of the closing price of Class A common stock for the 90 trading days immediately preceding the end of the current period, changes in the price of the Class A common stock may significantly affect the number of additional assumed common shares outstanding under the if-converted method for diluted earnings per share, even when the number of convertible preferred stock shares outstanding is unchanged.

(2) Stock-based compensation awards are excluded from the calculation of diluted EPS in the event they are antidilutive. There were no common stock equivalent shares and 0.9 million of common stock equivalent shares excluded from the diluted earnings per share calculation during the three months ended June 30, 2023 and 2022, respectively, and 1.2 million and 0.7 million of common stock equivalent shares excluded from the diluted earnings per share calculation during the six months ended June 30, 2023 and 2022, respectively, related to unvested restricted stock that were antidilutive.

11. Subsequent Events

On July 19, 2023, the Company entered into amendments to its Existing Credit Agreement (as amended, the "Amended Credit Agreement"). The amendments, among other things, (i) provide for an increase in the aggregate commitments under the revolving credit facility from $1.1 billion to $1.2 billion, subject to a borrowing base; (ii) extend the maturity date from June 2, 2025 to July 17, 2026 for certain new and existing lenders comprising $1.1 billion of the $1.2 billion of aggregate commitments under the Amended Credit Agreement; (iii) authorize the non-extending lenders to extend their maturity dates to July 17, 2026, with the consent of the Company; and (iv) provide the Company with the ability to incur certain additional unsecured debt. The amendments also increase the Company's minimum tangible net worth covenant by increasing the base component of such covenant from $385 million to $607 million. The Amended Credit Agreement retains an accordion feature that allows the aggregate commitments to increase up to $1.6 billion, subject to a borrowing base.

Under the Amended Credit Agreement, loans bear interest, at the Company's option, at (1) a "Base Rate", which means for any day a fluctuating rate per annum equal to credit spreads of 1.5% to 2.3%, which are determined based on the Company's net debt to capitalization ratio, plus the highest of (a) the Federal Funds Rate plus0.5%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate," (c) Term SOFR plus 1.0% and (d) 1.0%, or (2) a "Term SOFR Rate" or "Daily SOFR Rate", which means for any day a fluctuating rate per annum equal to credit spreads of 2.5% to 3.3%, which are determined based on the Company's net debt to capitalization ratio, plus either the Daily SOFR Rate (including a SOFR adjustment of 10 basis points) or the Term SOFR Rate, which is based on one, three or six-month interest periods (including a SOFR adjustment of 10 basis points for a one-month interest period,15 basis points for a three-month interest period and25 basis points for a six-month interest period), as applicable. The Company may not request a borrowing of, or conversion to, a Base Rate Loan unless Daily Simple SOFR Loans and Term SOFR Rate Loans are unavailable under the Amended Credit Agreement.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated or the context requires, "DFH," "Dream Finders," the "Company," "we," "our" and "us" refer collectively to Dream Finders Homes, Inc. and its subsidiaries.

Business Overview and Outlook

We design, build and sell homes in high-growth markets, including Charlotte, Raleigh, Jacksonville, Orlando, Denver, the Washington D.C. metropolitan area, Austin, Dallas, and Houston. We sell homes under the Dream Finders Homes, DF Luxury, Craft Homes and Coventry Homes brands. We employ an asset-light lot acquisition strategy with a focus on the design, construction and sale of single-family entry-level, first-time move-up and second-time move-up homes. To fully serve our homebuyer customers and capture ancillary business opportunities, we also offer title insurance through DF Title, LLC, doing business as Golden Dog Title & Trust ("DF Title")and mortgage banking solutions primarily through our mortgage banking joint venture, Jet Home Loans, LLC ("Jet LLC").

The economic uncertainty impacting the housing market persisted into the first half of 2023, to which we have anticipated and reacted. Our asset-light business model and conservative balance sheet management have allowed us to effectively navigate market volatility. Housing demand was negatively impacted by rising mortgage rates and inflationary pressures, which continue to strain affordability. However, demand is improving as homebuyers are adjusting to the higher rate environment and inventory levels remain constrained in our markets. Additionally, we have implemented sales incentives primarily focused on reducing homebuyer closing costs through mortgage buydown programs and continue to monitor net new orders and traffic at the community level. We also continue to review our lot option contracts and strategically renegotiate to match the current sales pace, as needed. These strategies have contributed to our better-than-expected revenues, net new orders and home closings in the first half of 2023.

-Key Results

Key financial results as of and for the three months ended June 30, 2023, as compared to as of and for the three months ended June 30, 2022 (unless otherwise noted), were as follows:

- Revenues increased 19% to $945 million from $793 million.
- Net new orders increased 16% to 1,655 from 1,426.
- Home closings increased 12% to 1,846 from 1,649.
- Backlog of sold homes decreased 26% to 5,288 from 7,190.
- Average sales price of homes closed increased 9% to $504,683 from $463,447.
- Gross margin as a percentage of homebuilding revenues decreased 60 basis points to 19.1% from 19.7%.
- Adjusted gross margin (non-GAAP) as a percentage of homebuilding revenues increased 140 basis points to 27.1% from 25.7%.
- Net and comprehensive income increased 8% to $72 million from $66 million.
- Net and comprehensive income attributable to DFH increased to $69 million from $63 million.
- EBITDA (non-GAAP) as a percentage of total revenues increased 30 basis points to 13.5% from 13.2%.
- Active community count increased to 220 from 203.
- Return on participating equity ("ROE") was 42.2% for the trailing twelve months ended June 30, 2023, compared to 44.0% for the trailing twelve months ended June 30, 2022.
- Basic earnings per share was $0.70 and diluted earnings per share was $0.65, compared to $0.64 and $0.60, respectively.
- Total liquidity, comprised of cash and cash equivalents, and availability under the revolving credit facility, of $511 million as of June 30, 2023, compared to $487 million as of December 31, 2022.

Key financial results for the six months ended June 30, 2023, as compared to the six months ended June 30, 2022 (unless otherwise noted), were as follows:

- Revenues increased 18% to $1,715 million from $1,457 million.
- Net new orders decreased 19% to 3,103 from 3,828.
- Homes closed increased 11% to 3,363 from 3,020.
- Average sales price of homes closed increased 8% to $498,309 from $463,318.
- Gross margin as a percentage of homebuilding revenues decreased 110 basis points to 18.1% from 19.2%.
- Adjusted gross margin (non-GAAP) as a percentage of homebuilding revenues increased to 25.8% from 25.1%.
- Net and comprehensive income increased 9% to $123 million from $113 million.
- Net and comprehensive income attributable to Dream Finders Homes, Inc. increased 11% to $118 million from $106 million.
- EBITDA (non-GAAP) as a percentage of total revenues increased 50 basis points to 12.8% from 12.3%.
- Basic earnings per share was $1.19 and diluted earnings per share was $1.09 compared to $1.07 and $1.02, respectively.

For reconciliations of the non-GAAP financial measures, including adjusted gross margin and EBITDA, to the most directly comparable GAAP financial measures, see “—Non-GAAP Financial Measures.”

Results of Operations

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

The following table sets forth our results of operations for the periods indicated:

	For the Three Months Ended June 30, (unaudited)			
	2023	2022	Amount Change	% Change
Revenues:				
Homebuilding	$ 942,880	$ 791,230	$ 151,650	19 %
Other	2,459	1,904	555	29 %
Total revenues	945,339	793,134	152,205	19 %
Homebuilding cost of sales	762,855	635,422	127,433	20 %
Selling, general and administrative expense	73,709	66,015	7,694	12 %
Income from unconsolidated entities	(4,704)	(3,334)	(1,370)	41 %
Contingent consideration revaluation	18,266	5,042	13,224	262 %
Other (income) expense, net	(635)	291	(926)	(318 %)
Income before taxes	95,848	89,698	6,150	7 %
Income tax expense	(24,206)	(23,327)	(879)	4 %
Net and comprehensive income	71,642	66,371	5,271	8 %
Net and comprehensive income attributable to noncontrolling interests	(2,878)	(3,747)	869	(23 %)
Net and comprehensive income attributable to Dream Finders Homes, Inc.	$ 68,764	$ 62,624	$ 6,140	10 %
Earnings per share [1]				
Basic	$ 0.70	$ 0.64	$ 0.06	9 %
Diluted	$ 0.65	$ 0.60	$ 0.05	8 %
Weighted-average number of shares				
Basic	93,108,277	92,758,939	349,338	0 %
Diluted	105,439,519	104,566,243	873,276	1 %
Condensed Consolidated Balance Sheets Data (at period end):				
Cash and cash equivalents	292,510	84,097	208,413	248 %
Total assets	2,288,227	2,112,786	175,441	8 %
Construction lines of credit	875,672	875,000	672	0 %
Preferred mezzanine equity	156,479	155,621	858	1 %
Noncontrolling interests	14,501	12,056	2,445	20 %
Total mezzanine and stockholders’ equity	919,479	647,155	272,324	42 %
Other Financial and Operating Data				
Active communities at end of period [2]	220	203	17	8 %
Home closings	1,846	1,649	197	12 %
Average sales price of homes closed [3]	$ 504,683	$ 463,447	$ 41,236	9 %
Net new orders	1,655	1,426	229	16 %
Cancellation rate	15.6 %	21.0 %	(5.4 %)	(26 %)
Backlog (at period end) - homes	5,288	7,190	(1,902)	(26 %)
Backlog (at period end, in thousands) - value	$ 2,486,375	$ 3,334,945	$ (848,570)	(25 %)
Gross margin (in thousands) [4]	$ 180,025	$ 155,808	$ 24,217	16 %
Gross margin % [5]	19.1 %	19.7 %	(0.6 %)	(3 %)
Net profit margin %	7.3 %	7.9 %	(0.6 %)	(8 %)
Adjusted gross margin (in thousands) [6]	$ 255,912	$ 203,731	$ 52,181	26 %
Adjusted gross margin % [5]	27.1 %	25.7 %	1.4 %	5 %
EBITDA (in thousands) [6]	$ 127,819	$ 104,973	$ 22,846	22 %
EBITDA margin % [7]	13.5 %	13.2 %	0.3 %	2 %
Adjusted EBITDA (in thousands) [6]	$ 131,863	$ 106,765	$ 25,098	24 %
Adjusted EBITDA margin % [7]	13.9 %	13.5 %	0.4 %	3 %

(1) Refer to Note 10, Earnings per Share to the condensed consolidated financial statements for disclosure related to the calculation of earnings per share (“EPS”). 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.
(2) A community becomes active once the model is completed or the community has its fifth net new order. A community becomes inactive when it has fewer than five units remaining to sell.
(3) Average sales price of homes closed is calculated based on homebuilding revenues, excluding the impact of deposit forfeitures, percentage of completion revenues and land sales, over homes closed.
(4) Gross margin is homebuilding revenues less homebuilding cost of sales.
(5) Calculated as a percentage of homebuilding revenues.
(6) Adjusted gross margin, EBITDA and adjusted EBITDA are non-GAAP financial measures. For definitions of these non-GAAP financial measures and a reconciliation to our most directly comparable financial measures calculated and presented in accordance with GAAP, see “—Non-GAAP Financial Measures.”
(7) Calculated as a percentage of total revenues.

Revenues. Revenues for the three months ended June 30, 2023 were $945 million, an increase of $152 million, or 19%, from $793 million for the three months ended June 30, 2022. The increase in revenues was primarily attributable to 1,846 home closings for the three months ended June 30, 2023, an increase of 197 homes, or 12%, from the 1,649 home closings for the three months ended June 30, 2022. The average sales price of homes closed for the three months ended June 30, 2023 was $504,683, an increase of $41,236, or 9%, over an average sales price of homes closed of $463,447 for the three months ended June 30, 2022. The increase was primarily due to product mix, as a higher number of closings in the second quarter of 2023 occurred in our Texas and Orlando segments that have higher price-points, and a lower number of closings occurred in our Jacksonville and Carolinas segments, when compared to the second quarter of 2022.

Homebuilding Cost of Sales and Gross Margin. Homebuilding cost of sales for the three months ended June 30, 2023 was $763 million, an increase of $128 million, or 20%, from $635 million for the three months ended June 30, 2022. The increase in homebuilding cost of sales was primarily due to the increase in home closings for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. Homebuilding gross margin for the three months ended June 30, 2023 was $180 million, an increase of $24 million, or 16%, from $156 million for the three months ended June 30, 2022. Homebuilding gross margin as a percentage of homebuilding revenues was 19.1% for the three months ended June 30, 2023, a decrease of 60 basis points, or 3%, from 19.7% for the three months ended June 30, 2022. The decrease in gross margin percentage was primarily due to increases in cost of funds as well as closing costs, as we continue to assist entry-level and first-time homebuyers to close homes through our mortgage buydown programs. The decrease was partially offset by cost management and cycle time improvement across our segments.

Adjusted Gross Margin. Adjusted gross margin for the three months ended June 30, 2023 was $256 million, an increase of $52 million, or 26%, from $204 million for the three months ended June 30, 2022. Adjusted gross margin as a percentage of homebuilding revenues for the three months ended June 30, 2023 was 27.1%, an increase of 140 basis points, or 5%, from 25.7% for the three months ended June 30, 2022. The adjusted gross margin percentage increased due to proactive cost management efforts and cycle time improvements across our segments, partially offset by increased closing costs. Adjusted gross margin is a non-GAAP financial measure. For the definition of adjusted gross margin and a reconciliation to our most directly comparable financial measure calculated and presented in accordance with GAAP, see “—Non-GAAP Financial Measures.”

Selling, General and Administrative Expense. Selling, general and administrative expense (“SG&A”) for the three months ended June 30, 2023 was $74 million, an increase of $8 million, or 12%, from $66 million for the three months ended June 30, 2022. SG&A as a percentage of homebuilding revenues was 8% in the second quarter 2023, remaining consistent compared to the second quarter 2022. In the second quarter of 2023, SG&A included a $1 million charge related to write-offs of earnest deposits and due diligence costs for lot option contracts that were terminated.

Income from Unconsolidated Entities. Income from unconsolidated entities for the three months ended June 30, 2023 was $5 million, an increase of $2 million, or 41%, compared to $3 million for the three months ended June 30, 2022. The increase in income from unconsolidated entities is primarily attributable to income from Jet Home Loans, and to a lesser extent, distributions of profits from DF Capital funds.

Contingent Consideration Revaluation. Contingent consideration revaluation expense for the three months ended June 30, 2023 was $18 million, an increase of $13 million or 262%, as compared to $5 million for the three months ended June 30, 2022.

The increase in contingent consideration expense is primarily due to actual results achieved being better-than-projected and the related fair value adjustments of revised expected future earnout payments from the MHI acquisition. Revised projections for the remainder of 2023 and beyond in the Texas segment were a result of the improved sales activity and management's ability to release starts timely for the 2023 fiscal year.

Other (Income) Expense, Net. Other income for the three months ended June 30, 2023 was $1 million, an increase of $1 million, or 318%, when compared to $0 million of other expense for the three months ended June 30, 2022. The shift from expense to income was primarily due to earnings from consolidated joint ventures and increased interest income.

Net and Comprehensive Income. Net and comprehensive income for the three months ended June 30, 2023 was $72 million, an increase of $6 million, or 8%, from $66 million for the three months ended June 30, 2022. The change in net and comprehensive income was primarily attributable to an increase in gross margin on home closings of $24 million during the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. However, as discussed above, better-than-projected results, particularly for the Texas segment, resulted in an increase of contingent consideration expense related to the MHI acquisition, during the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, which partially offset the increased gross margin from home closings. The changes in net and comprehensive income attributable to Dream Finders Homes, Inc. are consistent with the changes in net and comprehensive income as there was no significant change in noncontrolling interests for the period.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

The following table sets forth our results of operations for the periods indicated:

	For the Six Months Ended June 30, (unaudited)			
	2023	2022	Amount Change	% Change
Revenues:				
Homebuilding	$ 1,710,356	$ 1,453,703	$ 256,653	18 %
Other	4,403	3,497	906	26 %
Total revenues	1,714,759	1,457,200	257,559	18 %
Homebuilding cost of sales	1,400,199	1,174,290	225,909	19 %
Selling, general and administrative expense	134,470	127,725	6,745	5 %
Income from unconsolidated entities	(7,662)	(6,294)	(1,368)	22 %
Contingent consideration revaluation	23,582	9,234	14,348	155 %
Other (income) expense, net	(1,065)	(665)	(400)	60 %
Income before taxes	165,235	152,910	12,325	8 %
Income tax expense	(41,842)	(40,205)	(1,637)	4 %
Net and comprehensive income	123,393	112,705	10,688	9 %
Net and comprehensive income attributable to noncontrolling interests	(5,540)	(6,365)	825	(13) %
Net and comprehensive income attributable to Dream Finders Homes, Inc.	$ 117,853	$ 106,340	$ 11,513	11 %
Earnings per share (1)				
Basic	$ 1.19	$ 1.07	$ 0.12	11 %
Diluted	$ 1.09	$ 1.02	$ 0.07	7 %
Weighted-average number of shares				
Basic	93,025,626	92,758,939	266,687	0 %
Diluted	107,704,859	103,531,560	4,173,299	4 %
Other Financial and Operating Data				
Home closings	3,363	3,020	343	11 %
Average sales price of homes closed (3)	$ 498,309	$ 463,318	$ 34,991	8 %
Net new orders	3,103	3,828	(725)	(19 %)
Cancellation rate	18.1 %	16.4 %	1.7 %	10 %
Gross margin (in thousands) (4)	$ 310,157	$ 279,413	$ 30,744	11 %
Gross margin % (5)	18.1 %	19.2 %	(1.1 %)	(6 %)
Net profit margin %	6.9 %	7.3 %	(0.4 %)	(5 %)
Adjusted gross margin (in thousands) (6)	$ 442,105	$ 365,287	$ 76,818	21 %
Adjusted gross margin % (5)	25.8 %	25.1 %	0.7 %	3 %
EBITDA (in thousands) (6)	$ 219,498	$ 179,159	$ 40,339	23 %
EBITDA margin % (7)	12.8 %	12.3 %	0.5 %	4 %
Adjusted EBITDA (in thousands) (6)	$ 225,972	$ 182,403	$ 43,569	24 %
Adjusted EBITDA margin % (7)	13.2 %	12.5 %	0.7 %	6 %

See notes (1) to (7) under results of operations for the three months ended June 30, 2023 compared to the three months ended June 30, 2022.

Revenues. Revenues for the six months ended June 30, 2023 were $1,710 million, an increase of $256 million, or 18%, from $1,454 million for the six months ended June 30, 2022. The increase in revenues was primarily attributable to 3,363 home closings for the six months ended June 30, 2023, an increase of 343 homes, or 11%, from the 3,020 home closings for the six months ended June 30, 2022. The average sales price of homes closed for the six months ended June 30, 2023 was $498,309, an increase of $34,991, or 8%, over an average sales price of homes closed of $463,318 for the six months ended June 30, 2022. The increase was due to overall price appreciation, as well as product mix.

Homebuilding Cost of Sales and Gross Margin. Homebuilding cost of sales for the six months ended June 30, 2023 was $1,400 million, an increase of $226 million, or 19%, from $1,174 million for the six months ended June 30, 2022. The increase in homebuilding cost of sales was primarily due to the increase in home closings for the six months ended June 30, 2023 as compared to the six months ended June 30, 2022.

Homebuilding gross margin for the six months ended June 30, 2023 was $310 million, an increase of $31 million, or 11%, from $279 million for the six months ended June 30, 2022. Homebuilding gross margin as a percentage of homebuilding revenues was 18.1% for the six months ended June 30, 2023, a decrease of 110 basis points, or 6%, from 19.2% for the six months ended June 30, 2022. The decrease in gross margin percentage was primarily due to increased costs of funds, and closing costs as management implemented proactive measures to assist homebuyers to close the homes in backlog, partially offset by cost management and cycle time improvement.

Adjusted Gross Margin. Adjusted gross margin for the six months ended June 30, 2023 was $442 million, an increase of $77 million, or 21%, from $365 million for the six months ended June 30, 2022. Adjusted gross margin as a percentage of homebuilding revenues for the six months ended June 30, 2023 was 25.8%, an increase of 70 basis points, or 3%, when compared to 25.1% for the six months ended June 30, 2022. The adjusted gross margin percentage increased due to overall price appreciation combined with proactive cost management efforts, partially offset by increased closing costs. Adjusted gross margin is a non-GAAP financial measure. For the definition of adjusted gross margin and a reconciliation to our most directly comparable financial measure calculated and presented in accordance with GAAP, see "—Non-GAAP Financial Measures."

Selling, General and Administrative Expense. Selling, general and administrative expense ("SG&A") for the six months ended June 30, 2023 was $134 million, an increase of $6 million, or 5%, from $128 million for the six months ended June 30, 2022. SG&A as a percentage of homebuilding revenues was 8% for the six months ended June 30, 2023, a decrease of 100 bps compared to 9% for the six months ended June 30, 2022. The decrease in SG&A as a percentage of homebuilding revenues was primarily due to overall cost management efforts. For the six months ended June 30, 2023, SG&A included $2 million in charges related to write-offs of earnest deposits and due diligence costs for lot option contracts that were terminated.

Income from Unconsolidated Entities. Income from unconsolidated entities for the six months ended June 30, 2023 was $8 million, an increase compared to $6 million for the six months ended June 30, 2022. The increase in income from unconsolidated entities is primarily attributable to income from Jet Home Loans.

Contingent Consideration Revaluation. Contingent consideration revaluation expense for the six months ended June 30, 2023 was $24 million, an increase of $15 million or 155%, as compared to $9 million for the six months ended June 30, 2022. The increase in contingent consideration expense is primarily due to actual results achieved during the second quarter 2023 being better-than-projected and the related fair value adjustments of revised expected future earnout payments from the MHI acquisition. Revised projections for the remainder of 2023 and beyond in the Texas segment were a result of the improved sales activity and management's ability to release starts timely for the 2023 fiscal year.

Other (Income) Expense, Net. Other income for the six months ended June 30, 2023 remained consistent when compared to the six months ended June 30, 2022.

Net and Comprehensive Income. Net and comprehensive income for the six months ended June 30, 2023 was $123 million, an increase of $10 million, or 9%, from $113 million for the six months ended June 30, 2022. The increase in net and comprehensive income was primarily attributable to an increase in gross margin on home closings of $31 million during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022. This increase was partially offset by an increase in contingent consideration expense from the MHI acquisition of $14 million during the six months ended June 30, 2023 as compared to the six months ended June 30, 2022, primarily due to better-than-expected results and revised projections for the Texas segment. The changes in net and comprehensive income attributable to Dream Finders Homes, Inc. are consistent with the changes in net and comprehensive income as there was no significant change in noncontrolling interests for the period.

Land Acquisition and Development Process

We operate an asset-light and capital-efficient lot acquisition strategy to meet our growth objectives. We generally seek to avoid engaging in land development, which requires significant capital expenditures, and can take several years to realize returns on the investment. Our asset-light lot acquisition strategy generally enables us to purchase land in a "just-in-time" manner in both new and existing markets with reduced up-front capital commitments, and, in turn, allows us to increase our inventory turnover rate, enhance our ROE and contributes to our growth. Our strategy is intended to avoid the financial commitments and risks associated with direct land ownership and land development by allowing us to increase optionality and control a significant number of lots for a relatively low capital cost. We believe our asset-light business model reduces our balance sheet risk relative to other homebuilders that own a higher percentage of their land supply.

We primarily employ two variations of our asset-light land financing strategy—finished lot option contracts and land bank option contracts—pursuant to which we secure the right to purchase finished lots at predetermined fixed contractual pricing from various land developers, land sellers and land bank partners.

As of June 30, 2023, our lot deposits and investments in finished lot option and land bank option contracts were $248 million. As of June 30, 2023, we controlled 31,783 lots under lot option and land bank option contracts.

Owned and Controlled Lots

Our owned and controlled lot supply is a critical input to the future revenue of our business. The following table presents our owned finished lots purchased just-in-time for production and controlled lots by homebuilding segment as of June 30, 2023 and December 31, 2022:

	As of June 30, 2023			As of December 31, 2022			
Segment	**Owned [(2)]**	**Controlled**	**Total**	**Owned**	**Controlled**	**Total**	**% Change**
Jacksonville	1,259	7,286	8,545	1,083	8,893	9,976	-14 %
Colorado	515	6,648	7,163	366	7,555	7,921	-10 %
Orlando	927	3,813	4,740	976	4,878	5,854	-19 %
The Carolinas	1,020	4,316	5,336	1,003	4,849	5,852	-9 %
Texas	1,416	5,545	6,961	1,282	6,835	8,117	-14 %
Other[(1)]	1,146	4,175	5,321	1,233	4,605	5,838	-9 %
Grand Total	**6,283**	**31,783**	**38,066**	**5,943**	**37,615**	**43,558**	**-13 %**

(1) Austin, DC Metro, Savannah, GA, Hilton Head and Bluffton, S.C., Active Adult and Custom Homes. Austin refers to legacy DFH operations exclusive of MHI. See Note 7, Segment Reporting to the condensed consolidated financial statements for further explanation of our reportable segments.

(2) As of June 30, 2023, the Company had 6,283 owned lots, of which 4,816 were included in construction in process ("CIP") and finished homes within the condensed consolidated balance sheet. Of the 4,816 owned lots included in CIP and finished homes, 4,440 were under construction, 260 were completed spec homes and 116 were model homes. The remaining owned lots were purchased just-in-time to start construction through existing lot option contracts.

Owned Real Estate Inventory Status

The following table presents our owned real estate inventory status as of June 30, 2023 and December 31, 2022:

	As of June 30, 2023	As of December 31, 2022
	% of Owned Real Estate Inventory	**% of Owned Real Estate Inventory**
Construction in process and finished homes [(1)]	86 %	86 %
Company owned land and lots [(2)]	14 %	14 %
Total	**100 %**	**100 %**

(1) Represents our owned homes that are completed or under construction, including sold, spec and model homes. Land and lots from consolidated VIEs are excluded from total owned real estate inventory.

(2) Represents finished lots purchased just-in-time for production and capitalized costs related to land under development held by third-party land bank partners, including lot option fees, property taxes and due diligence costs. Land and lots from consolidated VIEs are excluded from both company owned land and lots and total owned real estate inventory.

Our Active Communities

We define an active community as a community where we have recorded five net new orders or a model home is currently open to customers. A community is no longer active when we have less than five home sites to sell to customers. Active community count is an important metric to forecast future net new orders for our business. As of June 30, 2023, we had 220 active communities, an increase of 17 communities, or 8%, as compared to 203 active communities as of June 30, 2022.

Our active community count excludes communities under the Company's built-for-rent contracts, as all sales to investors occur at one point in time and these communities would have no home sites remaining to sell. As of June 30, 2023, the Company had 22 communities delivering closings under built-for-rent contracts.

Costs of Building Materials and Labor

Our cost of sales includes the acquisition and finance costs of home sites or lots, municipality fees, the costs associated with obtaining building permits, materials and labor to construct the home, interest costs for construction loans, internal and external realtor commissions and other miscellaneous closing costs. Home site costs range from 20-30% of the average cost of a home. Building materials range from 35-45% of the average cost to build the home, labor ranges from 25-30% of the average cost to build the home, and interest, commissions and closing costs range from 5-10% of the average cost to build the home.

In general, the cost of building materials fluctuates with overall trends in the underlying prices of raw materials. The cost of certain of our building materials, such as lumber and oil-based products, fluctuates with market-based pricing curves. We often obtain volume discounts and/or rebates with certain suppliers of our building materials, which in turn reduces our cost of sales.

However, increases in the cost of building materials may reduce gross margin to the extent that market conditions prevent the recovery of increased costs through higher home sales prices. The price changes that most significantly influence our operations are price increases in commodities. Significant price increases of these materials may negatively impact our cost of sales and, in turn, our net income.

Backlog, Sales and Closings

A new order (“new sale”) is reported when a customer has received preliminary mortgage approval and the sales contract has been signed by the customer, approved by us and secured by a deposit of approximately 6% of the purchase price of the home. These deposits are typically nonrefundable, but each customer situation is evaluated individually. Sales to investors that intend to lease the homes are recognized when the Company has received a nonrefundable deposit.

Net new orders are sales of homes during the period less cancellations of existing sales contracts during the period. Our cancellation rate for a given period is calculated as the total number of new sales contracts cancelled during the period, divided by the total number of new gross sales contracts entered into during the period. Our cancellation rate for the three months ended June 30, 2023 was 15.6%, an improvement of 540 basis points compared to the 21.0% cancellation rate for the three months ended June 30, 2022. Our cancellation rate for the six months ended June 30, 2023 was 18.1%, an increase of 170 basis points compared to the 16.4% cancellation rate for the six months ended June 30, 2022. Despite the elevated mortgage rates, inflationary pressures and continued economic uncertainty, demand in the housing markets started to show signs of stabilization during the first and second quarters of 2023. Although our results have continued to improve compared to the latter half of 2022 in terms of net new orders and cancellation rates, the first and second quarter of 2022 exhibited an unprecedented level of sales due to the favorable economic conditions at that time. The sales in the first quarter of 2022 also included built-for-rent contracts that did not repeat in the first six months of 2023, as timing and effort for executing these bulk sales deals can vary. The cancellation rate for the second quarter 2023 remains within the Company’s pre-pandemic range of historical cancellation rates.

The following tables present information concerning our new home sales (net), starts and closings in each of our homebuilding segments for the three and six months ended June 30, 2023 and 2022:

	For the Three Months Ended June 30,						Period Over Period Percent Change		
	2023			2022					
Segment	**Sales**	**Starts**	**Closings**	**Sales**	**Starts**	**Closings**	**Sales**	**Starts**	**Closings**
Jacksonville	229	407	394	285	529	377	-20 %	-23 %	5 %
Colorado	122	175	78	55	119	69	122 %	47 %	13 %
Orlando	195	224	261	159	329	100	23 %	-32 %	161 %
The Carolinas	286	442	347	329	375	351	-13 %	18 %	-1 %
Texas	655	560	566	318	525	527	106 %	7 %	7 %
Other[(1)]	168	280	200	280	227	225	-40 %	23 %	-11 %
Grand Total	**1,655**	**2,088**	**1,846**	**1,426**	**2,104**	**1,649**	**16 %**	**-1 %**	**12 %**

	For the Six Months Ended June 30,						Period Over Period Percent Change		
	2023			2022					
Segment	**Sales**	**Starts**	**Closings**	**Sales**	**Starts**	**Closings**	**Sales**	**Starts**	**Closings**
Jacksonville	450	688	681	917	976	646	-51 %	-30 %	5 %
Colorado	245	252	152	141	215	139	74 %	17 %	9 %
Orlando	391	462	495	288	563	206	36 %	-18 %	140 %
The Carolinas	536	660	667	482	663	603	11 %	— %	11 %
Texas	1,176	935	987	1,135	1,242	1,010	4 %	-25 %	-2 %
Other[(1)]	305	446	381	865	464	416	-65 %	-4 %	-8 %
Grand Total	**3,103**	**3,443**	**3,363**	**3,828**	**4,123**	**3,020**	**-19 %**	**-16 %**	**11 %**

(1) Austin, DC Metro, Savannah, GA, Hilton Head and Bluffton, S.C., Active Adult and Custom Homes. Austin refers to legacy DFH operations exclusive of MHI. See Note 7, Segment Reporting to the condensed consolidated financial statements for further explanation of our reportable segments.

Our backlog consists of homes under contract that are signed by homebuyers that have not yet closed, but who have met the preliminary criteria to obtain mortgage financing and homes under contract signed by third-party investors who have placed a nonrefundable deposit. Ending backlog represents the number of homes in backlog from the previous period, plus the number of net new orders generated during the current period, minus the number of home closings during the current period. Our backlog at any given time will be affected by cancellations and the number of our active communities.

Homes in backlog are generally closed within one to nine months. Sustained supply chain challenges during 2022 could have temporarily elongated cycle times impacting the Company's backlog turnover rate.

In addition, certain circumstances may increase cycle times, including sales to investors that intend to lease the homes may be delivered over a longer duration, as well as pre-sales in new communities. It is important to note that net new orders, backlog and cancellation metrics are operational, rather than accounting data and should be used only as a general gauge to evaluate performance. Backlog may be impacted by customer cancellations for various reasons that are beyond our control, and, in light of our minimal required deposit, there is little negative impact to the potential homebuyer from the cancellation of the purchase contract.

The following tables present information concerning our new orders, cancellation rate and ending backlog for the periods and as of dates set forth below:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Net New Orders	1,655	1,426	3,103	3,828
Cancellation Rate	15.6 %	21.0 %	18.1 %	16.4 %

	As of June 30,	
	2023	2022
Ending Backlog - Homes[1]	5,288	7,190
Ending Backlog - Value (in thousands)	$ 2,486,375	$ 3,334,945

(1) Approximately 2,286 of the homes in our backlog are expected to be delivered in 2024 and beyond.

The following table shows the backlog units and ASP as of June 30, 2023 by segment:

	As of June 30, 2023 (unaudited)	
Backlog:	**Units**	**Average Sales Price**
Jacksonville	1,509	$ 311,473
Colorado	132	610,668
Orlando	784	639,448
The Carolinas	618	326,814
Texas	1,260	664,696
Other [1]	985	400,953
Total	**5,288**	**$ 470,192**

(1) Austin, TX; Washington D.C.; Savannah, GA; Hilton Head and Bluffton, S.C.; Active Adult and Custom Homes. Austin refers to legacy DFH operations in Texas, exclusive of MHI.

Mortgage Banking Business

For the three and six months ended June 30, 2023, our mortgage banking joint venture, Jet LLC, originated and funded 735 and 1,356 home loans, respectively, with an aggregate principal amount of approximately $293 million and $542 million, respectively, as compared to the three and six months ended June 30, 2022 of 622 and 1,149 home loans, respectively, with an aggregate principal amount of approximately $228 million and $415 million, respectively. For the three and six months ended June 30, 2023, Jet LLC had net income of approximately $4 million and $9 million, respectively, as compared to net income for the three and six months ended June 30, 2022 of $3 million and $6 million, respectively. Our interest in Jet LLC is accounted for under the equity method and is not consolidated in our condensed consolidated financial statements, as we do not control and are not deemed the primary beneficiary of the variable interest entity ("VIE"). See Note 5, Variable Interest Entities to the condensed consolidated financial statements for a discussion of the accounting treatment of VIEs.

Seasonality

In all of our markets, we have historically experienced similar variability in our results of operations and capital requirements from quarter to quarter due to the seasonal nature of the homebuilding industry. We generally sell more homes in the first and second quarters and close more homes in our third and fourth quarters. As a result, our revenue may fluctuate on a quarterly basis. Additionally, we generally have higher capital requirements in our second and third quarters in order to maintain our inventory levels. As a result of seasonal activity, our quarterly results of operations and financial position at the end of a particular quarter are not necessarily representative of the results we expect at year-end. We expect this seasonal pattern to continue in the long-term.

Non-GAAP Financial Measures

Adjusted Gross Margin

Adjusted gross margin is a non-GAAP financial measure used by management as a supplemental measure in evaluating operating performance. We define adjusted gross margin as gross margin excluding the effects of capitalized interest, amortization included in homebuilding cost of sales (adjustments resulting from the application of purchase accounting in connection with acquisitions) and commission expense. Our management believes this information is meaningful because it isolates the impact that capitalized interest, purchase accounting amortization and commission expense have on gross margin. We include internal and external commission expense in homebuilding cost of sales, not selling, general and administrative expense, and therefore commission expense is taken into account in gross margin.

As a result, in order to provide a meaningful comparison to the public company homebuilders that include commission expense below the gross margin line in selling, general and administrative expense, we have excluded commission expense from adjusted gross margin. However, because adjusted gross margin information excludes capitalized interest, purchase accounting amortization and commission expense, which have real economic effects and could impact our results of operations, the utility of adjusted gross margin information as a measure of our operating performance may be limited.

In addition, other companies may not calculate adjusted gross margin information in the same manner that we do. Accordingly, adjusted gross margin information should be considered only as a supplement to gross margin information as a measure of our performance.

The following table presents a reconciliation of adjusted gross margin to the GAAP financial measure of gross margin for each of the periods indicated (unaudited and in thousands, except percentages):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Gross margin[1]	$ 180,025	$ 155,808	$ 310,157	$ 279,413
Interest expense in homebuilding cost of sales	32,798	12,790	55,217	21,637
Amortization in homebuilding cost of sales[2]	—	1,991	—	5,821
Commission expense	43,089	33,142	76,731	58,416
Adjusted gross margin	$ 255,912	$ 203,731	$ 442,105	$ 365,287
Gross margin %[3]	19.1 %	19.7 %	18.1 %	19.2 %
Adjusted gross margin %[3]	27.1 %	25.7 %	25.8 %	25.1 %

(1) Gross margin is homebuilding revenues less homebuilding cost of sales.
(2) Represents amortization of purchase accounting adjustments from the Company's prior acquisitions.
(3) Calculated as a percentage of homebuilding revenues.

EBITDA and Adjusted EBITDA

EBITDA and adjusted EBITDA are not measures of net income as determined by GAAP. EBITDA and adjusted EBITDA are supplemental non-GAAP financial measures used by management and external users of our condensed consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. We define EBITDA as net income before (i) interest income, (ii) capitalized interest expensed in homebuilding cost of sales, (iii) interest expense, (iv) income tax expense and (v) depreciation and amortization. We define adjusted EBITDA as EBITDA before stock-based compensation expense.

Management believes EBITDA and adjusted EBITDA are useful because they allow management to more effectively evaluate our operating performance and compare our results of operations from period to period without regard to our financing methods or capital structure or other items that impact the comparability of financial results from period to period. EBITDA and adjusted EBITDA should not be considered as alternatives to, or more meaningful than, net income or any other measure as determined in accordance with GAAP. Our computations of EBITDA and adjusted EBITDA may not be comparable to EBITDA or adjusted EBITDA of other companies. We present EBITDA and adjusted EBITDA because we believe they provide useful information regarding the factors and trends affecting our business. Adjusted EBITDA information should be considered only as a supplement to EBITDA information as a measure of our performance.

The following table presents a reconciliation of EBITDA and adjusted EBITDA to the GAAP financial measure of net income for each of the periods indicated (unaudited and in thousands, except percentages):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Net and comprehensive income attributable to Dream Finders Homes, Inc.	$ 68,764	$ 62,624	$ 117,853	$ 106,340
Interest income	(627)	(32)	(727)	(73)
Interest expensed in cost of sales	32,798	12,790	55,217	21,637
Interest expense	1	13	1	26
Income tax expense	24,206	23,327	41,842	40,205
Depreciation and amortization(1)	2,677	6,251	5,312	11,024
EBITDA	$ 127,819	$ 104,973	$ 219,498	$ 179,159
Stock-based compensation expense	4,044	1,792	6,474	3,244
Adjusted EBITDA	$ 131,863	$ 106,765	$ 225,972	$ 182,403
EBITDA margin %(2)	13.5 %	13.2 %	12.8 %	12.3 %
Adjusted EBITDA margin %(2)	13.9 %	13.5 %	13.2 %	12.5 %

(1) Includes the impact of fair value inventory adjustments from prior acquisitions of $2 million and $6 million for thethree and six months ended June 30, 2022, respectively, which is included in homebuilding cost of sales reported on the Condensed Consolidated Statements of Comprehensive Income. For the three and six months ended June 30, 2023, there was no such fair value adjustment of inventory.

(2) Calculated as a percentage of total revenues.

Liquidity and Capital Resources

Overview

We generate cash from the sale of our inventory and we intend to re-deploy the net cash generated from the sale of inventory to acquire and control land and further grow our operations year over year. We believe that our sources of liquidity are sufficient to satisfy our current commitments. We maintain our Credit Agreement with a syndicate of lenders providing for a senior unsecured revolving credit facility, which as of June 30, 2023 had an aggregate commitment of up to $1.1 billion, maturing on June 2, 2025 (“Existing Credit Agreement”). As of June 30, 2023, we had $293 million in cash and cash equivalents, excluding $33 million of restricted cash. Additionally, the Company had $218 million of availability under the Existing Credit Agreement for a total of $511 million in total liquidity. Certain of our subsidiaries guaranteed the Company’s obligations under the Existing Credit Agreement.

On July 19, 2023, the Company entered into amendments to its Existing Credit Agreement. Refer to Note 11, Subsequent Events to the condensed consolidated financial statements.

We continue to evaluate our capital structure and explore options to strengthen our Balance Sheet. We will remain opportunistic while assessing available capital in the debt and equity markets.

Our principal uses of capital are lot deposits and purchases, vertical home construction, operating expenses and the payment of routine liabilities.

Cash flows generated by our projects can differ materially from our results of operations, as these depend upon the stage in the life cycle of each project. The majority of our projects begin at the land acquisition stage when we enter into finished lot option contracts by placing a deposit with a land seller or developer. Our lot deposits are an asset on our balance sheets and these cash outflows are not recognized in our results of operations. Early stages in our communities require material cash outflows relating to finished rolling option lot purchases, entitlements and permitting, construction and furnishing of model homes, roads, utilities, general landscaping and other amenities, as well as ongoing association fees and property taxes. Except for furnishings of model homes, these costs are capitalized within our real estate inventory and are not recognized in our operating income until a home sale closes. As such, we incur significant cash outflows prior to the recognition of revenues.

In later stages of the life cycle of a community, cash inflows could significantly exceed our results of operations, as the cash outflows associated with land purchase and home construction and other expenses were previously incurred.

We actively enter into finished lot option contracts by placing deposits with land sellers averaging 10% of the aggregate purchase price of the finished lots. When entering into these contracts, we also agree to purchase finished lots at predetermined time frames and quantities that match our expected selling pace in the community. We also enter into land development arrangements with land sellers, land developers and land bankers. We typically provide a lot deposit averaging 10% of the total investment required to develop lots that we will have the option to acquire in the future. Those deposits are generally 100% applicable to the lot purchase price. In these transactions, we also incur lot option fees that have historically been 15% or less of the outstanding capital balance held by the land banker. The initial investment and lot option fees require our ability to allocate liquidity resources to projects that will not materialize into cash inflows or operating income in the near term. The above cash strategies allow us to maintain adequate lot supply in our existing markets and support ongoing growth and profitability. Although currently there is economic uncertainty that is impacting the homebuilding industry, we continue to operate in geographic regions with consistent increases in demand for new homes and constrained lot and inventory supply compared to population and job growth trends. We intend to continue to reinvest our earnings into our business and focus on expanding our operations. In addition, as the opportunity to purchase finished lots in desired locations becomes increasingly more limited and competitive, we are committed to allocating additional liquidity to land bank deposits on land development projects, as this strategy mitigates the risks associated with holding undeveloped land on our balance sheet, while allowing us to control adequate lot supply in our key markets to support forecasted growth. As of June 30, 2023, our lot deposits and investments related to finished lot option contracts and land bank option contracts were $248 million.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	For the Six Months Ended June 30,	
	2023	**2022**
Net cash provided by/(used in) operating activities	$ 67,786	$ (215,751)
Net cash used in investing activities	(2,951)	(1,474)
Net cash (used in)/provided by financing activities	(134,374)	65,296

Net cash provided by operating activities was $68 million for the six months ended June 30, 2023, compared to $216 million of net cash used in operating activities for the six months ended June 30, 2022. The change in net cash provided by operating activities was primarily driven by a decrease in lot deposits and increased home closings which resulted in lower increases in inventories, partially offset by a higher decrease in accrued expenses for the six months ended June 30, 2023.

Net cash used in investing activities was $3 million for the six months ended June 30, 2023, compared to $1 million of cash used in investing activities for the six months ended June 30, 2022. The change in net cash used in investing activities was primarily attributable to the purchase of property and equipment during the six months ended June 30, 2023

Net cash used in financing activities was $134 million for the six months ended June 30, 2023, compared to $65 million of cash provided by financing activities for the six months ended June 30, 2022. The change in net cash used in financing activities was primarily attributable to net payments on the revolving credit facility of $91 million in the six months ended June 30, 2023 compared to net proceeds of $113 million in the six months ended June 30, 2022.

Credit Facilities, Surety Bonds, Letters of Credit and Financial Guarantees

As of June 30, 2023, under our Existing Credit Agreement, we had a maximum availability of $1.1 billion, an outstanding balance of $875 million, and we could borrow an additional $218 million. As of December 31, 2022, we had total outstanding borrowings of $965 million under our credit agreement. As of June 30, 2023, we were in compliance with the covenants set forth in our Existing Credit Agreement.

We enter into surety bonds and letters of credit arrangements with local municipalities, government agencies and land developers. These arrangements relate to certain performance-related obligations and serve as security for certain land option agreements.

As of June 30, 2023, we had outstanding surety bonds and letters of credit totaling $79 million and $1 million, respectively. We believe we will fulfill our obligations under the related arrangements and do not anticipate any material losses under these surety bonds and letters of credit.

Series B Preferred Units

MOF II DF Home LLC and PhenixFin Investment Holdings LLC hold the Series B preferred units of DFH LLC. As such, they have certain rights and preferences with regard to DFH LLC that holders of our Class A common stock do not have. The series B preferred units are not convertible into the Company's common stock.

The Series B preferred units shall automatically be deemed to be cancelled when a holder of a Series B preferred unit receives aggregate distributions from DFH LLC on a Series B preferred unit equal to the sum of (i) $1,000 per unit and (ii) the unreturned capital contributions per unit plus an 8% per annum cumulative preferred return (the “Series B Distribution Amount”).

In the event of a liquidation or dissolution of DFH LLC, the holders of Series B preferred units shall have preference over our membership interest in DFH LLC to receive the Series B Distribution Amount. Further, in the event of (i) a sale of substantially all of DFH LLC’s assets or (ii) a merger or reorganization resulting in the members of DFH LLC immediately prior to such transaction no longer beneficially owning at least 50% of the voting power of DFH LLC, and DFH LLC does not distribute the Series B Distribution Amount within 90 days of such event, the holders of the Series B preferred units may demand redemption of their Series B preferred units at a price equal to the Series B Distribution Amount (less prior distributions on such shares).

Convertible Preferred Stock

On September 29, 2021, we sold 150,000 shares of convertible preferred stock with an initial liquidation preference of $1,000 per share and a par value of $0.01 per share, for an aggregate purchase price of $150 million. We used the proceeds from the sale of the convertible preferred stock to partially fund the MHI acquisition and for general corporate purposes. Pursuant to the Certificate of Designations, the convertible preferred stock ranks senior to the Class A and B common stock with respect to dividends and distributions on liquidation, winding-up and dissolution. Accordingly, upon liquidation, dissolution or winding up of the Company, each share of convertible preferred stock is entitled to receive the initial liquidation preference of $1,000 per share, subject to adjustment, plus all accrued and unpaid dividends thereon.

The Board of Directors of the Company (the “Board of Directors”) has the authority to issue one or more series of preferred stock, par value $0.01 per share, without stockholder approval. Refer to Note 12 to the consolidated financial statements within our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 for further details on the terms of the Series B preferred units and convertible preferred stock.

Critical Accounting Policies

We believe that there have been no significant changes to our critical accounting policies during the six months ended June 30, 2023 as compared to those disclosed in *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, 2022.

Recently Issued Accounting Standards

The Company does not expect the adoption of any recently issued accounting standards to have a material impact on the condensed consolidated financial statements.

Off-Balance Sheet Arrangements

Asset-Light Lot Acquisition Strategy

We operate an asset-light and capital-efficient lot acquisition strategy primarily through finished lot option contracts and land bank option contracts. See “—Land Acquisition and Development Process” and Note 5, Variable Interest Entities to the condensed consolidated financials statements for information on these option contracts.

Contractual Obligations

As of June 30, 2023, there have been no material changes to our contractual obligations appearing in the "Contractual Obligations, Commitments and Contingencies" 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, 2022.

Cautionary Statement about Forward-Looking Statements

The information in this Quarterly Report on Form 10-Q includes "forward-looking statements." Many statements included in this Quarterly Report on Form 10-Q are not statements of historical fact, including statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified.

Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology, such as "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "predict," "projection," "should" or "will" or the negative thereof or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- our market opportunity and the potential growth of that market;
- economic trends;
- trends with respect to demand, interest rates and cancellation rates;
- our strategy, expected outcomes and growth prospects;
- trends in our operations, industry and markets;
- our future profitability, indebtedness, liquidity, access to capital and financial condition; and
- our integration of companies that we have acquired into our operations.

We have based these forward-looking statements on our current expectations and assumptions about future events based on information available to our management at the time the statements were made. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements.

We caution you that these forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what is expressed or implied in such forward-looking statements. These risks include, but are not limited to, the risks described under "*Risk Factors*" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2023. Should one or more of such risks or uncertainties occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

Inflation

Inflation in the United States materially increased during the year ended December 31, 2022, and remained elevated in the first quarter of 2023. Inflation has eased during the second quarter 2023. To combat these inflationary pressures, the Federal Reserve raised interest rates aggressively into the first quarter 2023. Interest rates have remained consistent during the second quarter 2023.

Our operations may be negatively impacted by inflation due to increasing construction, labor, materials as well as land acquisition and financing costs. Inflation can also result in rising mortgage interest rates, which can, in turn, substantially limit the ability of a typical homebuyer, relying on mortgage financing, to purchase a new home. Through the period ended June 30, 2023, although there were general increases in the cost of labor and materials, these additional costs were outpaced by price increases in home closings, and as such, did not have a material impact on our gross margins.

For more information, see *Item 1A. Risk Factors* in Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our operations are interest-rate sensitive. As overall housing demand is adversely affected by increases in interest rates, a significant increase in interest rates may negatively affect the ability of homebuyers to secure adequate financing. Higher interest rates could adversely affect our revenues, gross margins and net income. We do not enter into, nor do we intend to enter into in the future, derivative financial instruments for trading or speculative purposes to hedge against interest rate fluctuations.

Quantitative and Qualitative Disclosures About Interest Rate Risk

Market risk is the risk of loss arising from adverse changes in market prices and interest rates. Our market risk arises from interest rate risk inherent in our financial instruments and debt obligations. Interest rate risk results from the possibility that changes in interest rates will cause unfavorable changes in net income or in the value of interest rate sensitive assets, liabilities and commitments. Lower interest rates tend to increase demand for mortgage loans for home purchasers, while higher interest rates make it more difficult for potential borrowers to purchase residential properties and to qualify for mortgage loans. We have no market rate-sensitive instruments held for speculative or trading purposes.

The Existing Credit Agreement provides for loans to bear interest, at the Company’s option, at (1) a “Base Rate”, which means for any day a fluctuating rate per annum equal to credit spreads of 1.50% to 2.60%, which are determined based on the Company’s debt to capitalization ratio, plus the highest of (a) the Federal Funds Rate plus 0.5%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its “prime rate,” (c) Term SOFR plus 1.00% and (d) 1.00%, or (2) a “Term SOFR/Letter of Credit Rate”, which means for any day a fluctuating rate per annum equal to credit spreads of 2.50% to 3.60%, which are determined based on the Company’s debt to capitalization ratio, plus the adjusted term SOFR rate (based on one, three or six-month interest periods).

Interest on base rate advances borrowed under the Existing Credit Agreement is payable in arrears on a monthly basis. Interest on each Term SOFR/Letter of Credit Rate rate advances borrowed under the Existing Credit Agreement is payable in arrears at the end of the interest period applicable to such advance, or, if less than such interest period, three months after the beginning of such interest period. The Company pays the lenders a commitment fee on the amount of the unused commitments on a quarterly basis at a rate per annum that will vary from 0.20% to 0.30% depending on the Company’s debt to capitalization ratio.

Outstanding borrowings under the Existing Credit Agreement are subject to, among other things, a borrowing base. The borrowing base advance rate includes the aggregate of, among other things, (a) 90% of the net book value of presold housing units, (b) 85% of the net book value of model housing units, (c) 85% of the net book value of speculative housing units and (d) 70% of the net book value of finished lots, in each case subject to certain exceptions and limitations set forth in the Existing Credit Agreement.

On July 19, 2023, the Company entered into amendments to its Existing Credit Agreement. Refer to Note 11, Subsequent Events to the condensed consolidated financials statements.

Our mortgage banking joint venture, Jet LLC, is exposed to interest rate risk as it relates to its lending activities. Jet LLC underwrites and originates mortgage loans, which are sold through either optional or mandatory forward delivery contracts into the secondary markets. All of the Jet Home Loans segment's loan portfolio is held for sale and subject to forward sale commitments. Jet LLC also sells all of its mortgages held for sale on a servicing released basis.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), management evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934) as of June 30, 2023. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures as of June 30, 2023 were effective in providing reasonable assurance that information required to be disclosed in the reports the Company files, furnishes, submits or otherwise provides the SEC under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that information required to be disclosed in reports filed by the Company under the Exchange Act is accumulated and communicated to the Company's management, including the CEO and CFO, in such a manner as to allow timely decisions regarding the required disclosure.

Changes in Internal Controls

There was no change in our internal control over financial reporting as such term is defined in the Exchange Act Rule 13a-15(f) that occurred during the three and six months ended June 30, 2023 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 Note 4, Commitments and Contingencies to the condensed consolidated financial statements included herein for a description of material legal proceedings. From time to time, we are a party to ongoing legal proceedings in the ordinary course of business. We do not believe the results of currently pending proceedings, individually or in the aggregate, will have a material adverse effect on our business, financial condition, results of operations or liquidity.

ITEM 1A. RISK FACTORS

There are numerous factors that affect our business and results of operations, many of which are beyond our control. Refer to Item 1A in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, which contains descriptions of significant risks that have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. Except as presented below, there have been no material changes to risk factors previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 and in Part II – Item 1A of our Form 10-Q for the quarter ended March 31, 2023.

Our share buyback program that was approved by the Board in June 2023 could affect our stock price and increase its volatility, and may reduce the market liquidity for our stock. The share buyback program may also materially impact the Company's liquidity.

Repurchases pursuant to the share buyback program entered into in June 2023, or any other share buyback program we adopt in the future, could affect our stock price and increase its volatility and may reduce the market liquidity for our stock. The existence of a share buyback program could also cause our stock price to be higher than it would be in the absence of such a program. Additionally, these repurchases will diminish our cash and may subject us to additional taxes, which could impact our ability to pursue possible future strategic opportunities and acquisitions and would result in lower overall returns on our cash balances. There can be no assurance that any share repurchases will, in fact, occur, or, if they occur, that they will enhance stockholder value. Although share buyback programs are intended to enhance long-term stockholder value, short-term stock price fluctuations could reduce the effectiveness of these repurchases.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Buyback Program

In June 2023, the Company's Board of Directors (the "Board") approved a share buyback program under which the Company can repurchase up to $25 million of its Class A common stock through June 30, 2026 in open market purchases, privately negotiated transactions, or otherwise in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The Board also authorized the Company to establish "Rule 10b5-1 trading plans" for any share repurchases. The actual timing, number and value of shares repurchased under the share buyback program will depend on a number of factors, including constraints specified in any Rule 10b5-1 trading plans, price, general business and market conditions, and alternative investment opportunities. The share buyback program does not obligate the Company to acquire any specific number of shares in any period, and may be expanded, extended, modified or discontinued at any time. The Company has not repurchased any stock under the share buyback program.

ITEM 5. OTHER INFORMATION

Since the approval of the share buyback program in June 2023,no Director or Section 16 Officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1*	CEO Certification, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	CFO Certification, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

XBRL information is deemed not filed or a part of a registration statement or Annual Report for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under such sections.

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.

		Dream Finders Homes, Inc.
Date:	August 3, 2023	/s/ Patrick O. Zalupski
		Patrick O. Zalupski President, Chief Executive Officer and Chairman of the Board of Directors *(Principal Executive Officer)*
	August 3, 2023	/s/ L. Anabel Fernandez
		L. Anabel Fernandez Senior Vice President and Chief Financial Officer *(Principal Financial and Accounting Officer)*

EXHIBIT 31.1

CEO CERTIFICATION
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Patrick O. Zalupski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dream Finders Homes, Inc. (the "Registrant");

2. Based on my knowledge, this Quarterly 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 Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 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)) 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 Quarterly 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 Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit 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 3, 2023

By: /s/ Patrick O. Zalupski

Patrick O. Zalupski
President, Chief Executive Officer and Chairman of the Board of Directors

EXHIBIT 31.2

CFO CERTIFICATION
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, L. Anabel Fernandez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dream Finders Homes, Inc. (the "Registrant");

2. Based on my knowledge, this Quarterly 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 Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly 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 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)) 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 Quarterly 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 Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit 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 3, 2023

By: /s/ L. Anabel Fernandez

L. Anabel Fernandez
Senior Vice President, Chief Financial Officer, and Principal Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Dream Finders Homes, Inc. (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Patrick O. Zalupski, President and 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 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2023

By: /s/ Patrick O. Zalupski
Patrick O. Zalupski
President, Chief Executive Officer and Chairman of the Board of Directors

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Dream Finders Homes, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, L. Anabel Fernandez, 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 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 3, 2023

By: /s/ L. Anabel Fernandez
L. Anabel Fernandez
Senior Vice President, Chief Financial Officer, and Principal Accounting Officer