

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

FORM 8-K

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

Date of Report (date of earliest event reported): August 4, 2022

Dream Finders Homes, Inc.

(Exact name of registrant as specified in its charter)

Delaware

001-39916

85-2983036

(State or other jurisdiction of incorporation)

(Commission
File Number)

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

14701 Phillips Highway, Suite 300
Jacksonville, Florida

32256

(Address of principal executive offices)

(Zip Code)

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

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

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

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

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

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

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition.

On August 4, 2022, Dream Finders Homes, Inc. (the "Company") issued a press release announcing its financial results for the three months ended June 30, 2022. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference into this Item 2.02.

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

Item 7.01 Regulation FD Disclosures.

On August 4, 2022, Dream Finders Homes, Inc. made available an investor presentation through the investor relations section of the Company's website at <https://investors.dreamfindershomes.com>.

The information furnished under this Item 7.01 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall such information be deemed to be incorporated by reference of any filing under the Securities Act of 1933, or the Exchange Act, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| Number | Description |
|----------------------|---|
| 99.1 | Earnings Press Release dated August 4, 2022 |
| 104 | Cover Page Interactive Data File (embedded within the inline XBRL document) |

SIGNATURE

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

DREAM FINDERS HOMES, INC.

By: /s/ Robert E. Riva

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

Date: August 4, 2022



Dream Finders Announces Second Quarter 2022 Results

Jacksonville, Fla. – August 4, 2022— Dream Finders Homes, Inc. (the “Company”, “Dream Finders” or “DFH”) (NASDAQ: DFH), one of the nation’s fastest-growing companies, announced its financial results for the second quarter ended June 30, 2022.

Second Quarter 2022 Highlights (As Compared to Second Quarter 2021, unless otherwise noted)

- Homebuilding revenues increased 118% to \$791 million from \$364 million
- Gross margin as a percentage of homebuilding revenues increased 320 basis points to 19.7% from 16.5%
- Pre-tax income increased 145% to \$90 million, compared to \$37 million
- Net income attributable to DFH increased 119% to \$63 million, or \$0.60 per diluted share, compared to \$29 million, or \$0.31 per diluted share
- Home closings increased 66% to 1,649 from 996
- Average sales price of homes closed increased 29% to \$463,447 from \$358,604
- Net new orders decreased 6% to 1,426 from 1,521
- Active community count increased 74% to 203 from 117
- Backlog of sold homes increased 74% to 7,190 homes valued at \$3.3 billion, compared to 4,137 homes valued at \$1.6 billion
- Return on participating equity was 44.0% for the trailing twelve months ended June 30, 2022, compared to 44.3% for the trailing twelve months ended June 30, 2021
- Controlled lot pipeline increased 66% to 37,983 as of June 30, 2022, compared to 22,923 as of June 30, 2021
- Commitment on the revolving credit facility increased to \$1.1 billion as of June 30, 2022, compared to \$818 million as of December 31, 2021
- Total liquidity, comprised of cash and cash equivalents, and availability under the revolving credit facility, increased 21% to \$334 million as of June 30, 2022, compared to \$277 million as of December 31, 2021

Management Commentary

Patrick Zalupski, Dream Finders Homes Chairman and CEO, said, “In DFH’s sixth quarter as a public company, we continued to outperform growth and execution expectations. For the full year 2020 (the year prior to our IPO), DFH had *annual* pre-tax earnings of \$85 million. Less than 18 months after going public, DFH had *quarterly* pre-tax earnings of \$90 million. While we are confident that DFH earnings will continue to grow, it is important to step back and appreciate our employees’ hard work to reach this point in a relatively short period of time. These most recent results are a function of several years’ hard work. It is rewarding to see all of that work bearing fruit and our accomplishments reinforce the benefits of our culture and business model.

More specific to the quarter, our homebuilding margin improved to 19.7%, another Company record, as our team continues to closely manage sales prices, cost inflation, supply chain challenges and mortgage rates in a quickly changing macro environment. While we acknowledge the rapid increase in mortgage rates and appreciation in home values pose headwinds, we believe the overall shortage of homes available will perpetuate the supply-demand gap. Our net new orders were up year over year in both May and June, however, we were limiting sales across most communities in April to ensure pricing was appropriately placed during a period of enhanced market volatility. This limitation contributed to an overall 6% quarterly decrease in net new orders, however, excluding cancellations, our total gross sales were up year over year.

Our land-light operating model allows us to navigate temporary housing market challenges and quickly change course in light of macroeconomic conditions. We continue to be strategically positioned in high growth markets, providing affordable homes to the entry-level, first and second-time move up homebuyers. Our build-for-rent platform provides a consistent home deliveries pipeline, which is less susceptible to temporary changes in demand from individual homebuyers. While the short-term may be uncertain, we are committed to our business model and focused on generating long-term earnings growth.”

Second Quarter 2022 Results

Homebuilding revenues for the second quarter 2022 increased 118% to \$791 million, compared to \$364 million in the year-ago quarter. Home closings increased 66% to 1,649, compared to 996 in the year-ago quarter. Average sales price (“ASP”) of homes closed for the second quarter 2022 was \$463,447, compared to \$358,604 in the year-ago quarter. The ASP increase was primarily due to the MHI acquisition as well as home price appreciation. Homebuilding gross margin percentage in the second quarter 2022 improved 320 basis points to 19.7%, compared to 16.5% in the year-ago quarter. The gross margin improvement was attributable to our ability to increase prices while managing cost inflation. Selling, general and administrative expenses as a percentage of homebuilding revenues was 8% in the second quarter 2022, remaining consistent when compared to 8% in the year-ago quarter.

Net new orders in the second quarter 2022 decreased 6% to 1,426, compared to 1,521 in the year-ago quarter. During the first month of the quarter, the Company delayed the sale of homes until later stages in the construction cycle. Later in June, demand tightened in response to the rapid rise in mortgage rates coupled with continued home price appreciation. The market's reaction to the quickly changing economic conditions negatively impacted new orders for the quarter and drove an uptick in cancellations for the Company and the industry as a whole. Our cancellation rate remains within the Company's pre-pandemic historical averages at 21.0% for the quarter ended June 30, 2022, compared to 14.4% for the year-ago period. At the end of the second quarter 2022, DFH's large backlog of 7,190 homes, valued at \$3.3 billion, represented record increases of 74% and 103%, respectively, compared to the year-ago quarter. As of June 30, 2022, the ASP in backlog was \$463,831.

Net income attributable to DFH in the second quarter 2022 was \$63 million, or \$0.60 per diluted share, compared to \$29 million, or \$0.31 per diluted share in the second quarter 2021.

Full Year 2022 Outlook

Dream Finders Homes is reaffirming its guidance of a minimum of 7,000 home closings for the full year 2022. This outlook considers the rapid increase in interest rates and overall moderation of the housing market that began at the end of the second quarter of 2022 and assumes general economic conditions, including interest rates and mortgage availability, remain similar to those experienced in the latter half of the second quarter of 2022. Additionally, any further COVID-19 governmental restrictions on land development, home construction or home sales or additional supply chain challenges could negatively impact the Company's ability to achieve this number of home closings in 2022. As of June 30, 2022, the Company backlog was 7,190 homes, with approximately 32% of the homes in backlog expected to be delivered in 2023 and beyond. The Company continues to believe the backlog of homes sold is the best indicator for future growth.

The following table shows the backlog units and ASP as of June 30, 2022 by segment:

| <i>Backlog:</i> | As of June 30, 2022 (unaudited) | |
|----------------------|------------------------------------|---------------------|
| | Units | Average Sales Price |
| Jacksonville | 1,734 | \$ 364,137 |
| Colorado | 135 | 619,289 |
| Orlando | 1,016 | 550,965 |
| DC Metro | 124 | 502,018 |
| The Carolinas | 1,110 | 330,399 |
| Texas | 1,859 | 633,287 |
| Other ⁽¹⁾ | 1,212 | 374,484 |
| Total | 7,190 | \$ 463,831 |

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

About Dream Finders Homes, Inc.

Dream Finders Homes (NASDAQ: DFH) is based in Jacksonville, FL, and is one of the nation's fastest-growing companies, with industry-leading returns on shareholders' equity. Dream Finders Homes builds single-family homes in Florida, Texas, North Carolina, South Carolina, Georgia, Colorado, Virginia, Maryland, and the DC Metro area. Through its mortgage and title joint ventures, DFH also provides mortgage financing and title services to its homebuyers. Dream Finders Homes achieves its industry-leading growth and returns by maintaining an asset-light homebuilding model. For more information, please visit www.dreamfindershomes.com.

Forward-Looking Statements

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

Dream Finders Homes, Inc.
Consolidated Statements of Comprehensive Income and Operating Activity
(In thousands, except per share amounts and Other Financial and Operating Data, unless otherwise noted)

| | For the Three Months Ended June 30, (unaudited) | | For the Six Months Ended June 30, (unaudited) | |
|--|---|--------------|---|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenues: | | | | |
| Homebuilding | \$ 791,230 | \$ 363,743 | \$ 1,453,703 | \$ 705,910 |
| Other | 1,904 | 1,533 | 3,497 | 2,926 |
| Total revenues | 793,134 | 365,276 | 1,457,200 | 708,836 |
| Homebuilding cost of sales | 635,422 | 303,589 | 1,174,290 | 594,626 |
| Selling, general and administrative expense | 66,015 | 30,137 | 127,725 | 59,452 |
| Income from equity in earnings of unconsolidated entities | (3,334) | (1,125) | (6,294) | (2,857) |
| Contingent consideration revaluation | 5,042 | 3,977 | 9,234 | 5,160 |
| Other (income) expense, net | 278 | (7,856) | (691) | (7,153) |
| Interest expense | 13 | 16 | 26 | 658 |
| Income before taxes | 89,698 | 36,538 | 152,910 | 58,950 |
| Income tax expense | (23,327) | (4,479) | (40,205) | (9,295) |
| Net and comprehensive income | 66,371 | 32,059 | 112,705 | 49,655 |
| Net and comprehensive income attributable to non-controlling interests | (3,747) | (3,486) | (6,365) | (4,961) |
| Net and comprehensive income attributable to Dream Finders Homes, Inc. | \$ 62,624 | \$ 28,573 | \$ 106,340 | \$ 44,694 |
| Earnings per share⁽¹⁾ | | | | |
| Basic | \$ 0.64 | \$ 0.31 | \$ 1.07 | \$ 0.49 |
| Diluted | \$ 0.60 | \$ 0.31 | \$ 1.02 | \$ 0.49 |
| Weighted-average number of shares | | | | |
| Basic | 92,758,939 | 92,521,482 | 92,758,939 | 92,521,482 |
| Diluted | 104,566,243 | 92,670,727 | 103,531,560 | 92,641,222 |
| Other Financial and Operating Data | | | | |
| Active communities at end of period ⁽²⁾ | 203 | 117 | 203 | 117 |
| Home closings | 1,649 | 996 | 3,020 | 1,998 |
| Average sales price of homes closed ⁽³⁾ | \$ 463,447 | \$ 358,604 | \$ 463,318 | \$ 347,261 |
| Net new orders | 1,426 | 1,521 | 3,828 | 3,531 |
| Cancellation rate | 21.0 % | 14.4 % | 16.4 % | 10.9 % |
| Backlog (at period end) - homes | 7,190 | 4,137 | 7,190 | 4,137 |
| Backlog (at period end, in thousands) - value | \$ 3,334,945 | \$ 1,646,725 | \$ 3,334,945 | \$ 1,646,725 |
| Gross margin (in thousands) ⁽⁴⁾ | \$ 155,808 | \$ 60,154 | \$ 279,413 | \$ 111,284 |
| Gross margin % ⁽⁵⁾ | 19.7 % | 16.5 % | 19.2 % | 15.8 % |
| Net profit margin % | 7.9 % | 7.8 % | 7.3 % | 6.3 % |

- (1) The Company calculated earnings per share ("EPS") based on net income attributable to common stockholders for the period January 21, 2021 through June 30, 2021 over the weighted average diluted shares outstanding for the same period. EPS was calculated prospectively for the period subsequent to the Company's initial public offering and corporate reorganization, resulting in 92,521,482 shares of common stock outstanding as of the closing of the initial public offering. The total outstanding shares of common stock are made up of Class A common stock and Class B common stock, which participate equally in their ratable ownership share of the Company. Diluted shares were calculated by using the treasury stock method for stock grants and the if-converted method for the convertible preferred stock and the associated preferred dividends.
- (2) A community becomes active once the model is completed or the community has its fifth sale. A community becomes inactive when it has fewer than five units remaining to sell.
- (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.

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|-----------------------|--------------------------------|------------------------|---------------------|------------------------|------------------------------|------------------------|---------------------|------------------------|
| | 2022 (unaudited) | | 2021 (unaudited) | | 2022 (unaudited) | | 2021 (unaudited) | |
| | Units | Average Sales Price | Units | Average Sales Price | Units | Average Sales Price | Units | Average Sales Price |
| Home Closings: | | | | | | | | |
| Jacksonville | 377 | \$ 472,065 | 265 | \$ 351,496 | 646 | \$ 464,182 | 560 | \$ 338,077 |
| Colorado | 69 | 584,356 | 47 | 494,604 | 139 | 570,443 | 81 | 473,882 |
| Orlando | 100 | 481,968 | 147 | 409,362 | 206 | 458,593 | 308 | 404,494 |
| DC Metro | 21 | 584,930 | 35 | 681,706 | 36 | 671,168 | 59 | 640,193 |
| The Carolinas | 351 | 330,195 | 315 | 301,033 | 603 | 330,709 | 658 | 293,807 |
| Texas ⁽¹⁾ | 527 | 559,770 | — | — | 1,010 | 555,270 | — | — |
| Other ⁽²⁾ | 204 | 365,479 | 187 | 331,101 | 380 | 371,562 | 332 | 332,649 |
| Total | 1,649 | \$ 463,447 | 996 | \$ 358,604 | 3,020 | \$ 463,318 | 1,998 | \$ 347,261 |

(1) Texas consists of the operations of MHI, which was acquired on October 1, 2021.

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

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

| | June 30, 2022 | December 31, 2021 |
|--|---------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 84,097 | \$ 227,227 |
| Restricted cash (VIE amounts of \$2,944 and \$4,275) | 45,296 | 54,095 |
| Accounts receivable (VIE amounts of \$1,711 and \$2,684) | 30,280 | 33,482 |
| Inventories: | | |
| Construction in process and finished homes | 1,254,199 | 961,779 |
| Company owned land and lots | 93,404 | 83,197 |
| VIE owned land and lots | 8,414 | 21,686 |
| Total inventories | 1,356,017 | 1,066,662 |
| Lot deposits | 288,426 | 241,406 |
| Other assets (VIE amounts of \$2,727 and \$2,185) | 78,946 | 43,962 |
| Equity method investments | 14,188 | 15,967 |
| Property and equipment, net | 6,511 | 6,789 |
| Operating lease right-of-use assets | 25,108 | 19,359 |
| Deferred tax asset | 4,905 | 4,232 |
| Intangible assets, net of amortization | 7,085 | 9,140 |
| Goodwill | 171,927 | 171,927 |
| Total assets | \$ 2,112,786 | \$ 1,894,248 |
| Liabilities | | |
| Accounts payable (VIE amounts of \$668 and \$1,309) | \$ 130,115 | \$ 113,498 |
| Accrued expenses (VIE amounts of \$6,213 and \$6,915) | 126,823 | 139,508 |
| Customer deposits | 190,945 | 177,685 |
| Construction lines of credit | 875,000 | 760,000 |
| Notes payable (VIE amounts of \$0 and \$1,979) | 1,568 | 3,292 |
| Operating lease liabilities | 25,625 | 19,826 |
| Contingent consideration | 115,555 | 124,056 |
| Total liabilities | \$ 1,465,631 | \$ 1,337,865 |
| <i>Commitments and contingencies</i> | | |
| Mezzanine Equity | | |
| Preferred mezzanine equity | 155,621 | 155,220 |
| Stockholders' Equity | | |
| Class A common stock, \$0.01 per share, 289,000,000 authorized, 32,295,329 outstanding | 323 | 323 |
| Class B common stock, \$0.01 per share, 61,000,000 authorized, 60,226,153 outstanding | 602 | 602 |
| Additional paid-in capital | 261,207 | 257,963 |
| Retained earnings | 217,346 | 118,194 |
| Non-controlling interests | 12,056 | 24,081 |
| Total mezzanine and stockholders' equity | 647,155 | 556,383 |
| Total liabilities, mezzanine equity, and stockholders' equity | \$ 2,112,786 | \$ 1,894,248 |

SOURCE: Dream Finders Homes, Inc.

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Anabel Fernandez – Chief Financial Officer

Robert Riva – General Counsel