

TOLL BROTHERS, Inc. (TOL)

Residential Construction – Homebuilding

October 22, 2024

Stock Rating

HOLD

Investment Thesis

We recommend a **HOLD rating** on Toll Brothers, Inc. (TOL) with a target price of \$161 with a potential upside of 8.5%. TOL has experienced a high level of growth since the pandemic and have firmly positioned themselves in the luxury homebuilding industry. However, we expect their growth to slow paired with stabilizing margins.

Drivers of Thesis

- We project TOL to continue to grow its units delivered by 6.8% CAGR over the next 3 years. This should help the company push through some material and labor cost headwinds.
- TOL has seen its EBIT margin expand from 7.8% in 2020 to 17.3% in 2023. While TOL might not sustain this high level of margin expansion, we do forecast them to remain at its elevated level and slightly improve to 18% over the forecasted period.

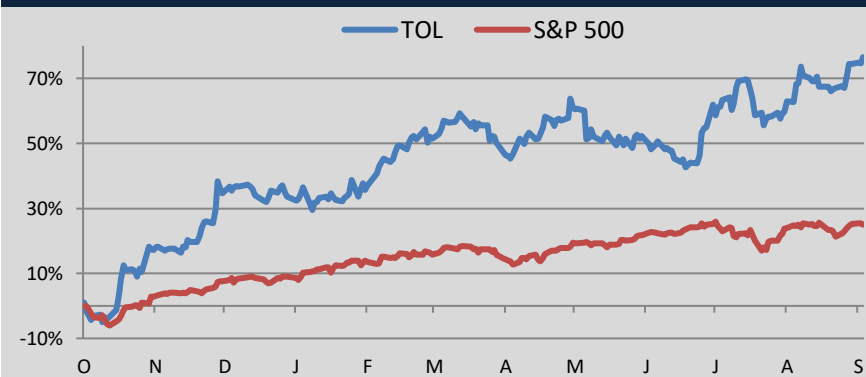
Risks to Thesis

- We estimate that TOL will experience a reduction in average price per unit sold after reaching an all-time high in FY23. We expect its average home price to reduce by a 3% CAGR over the next 3 years.
- The current likelihood of a recession over the next 2 years is projected at a 57% chance. A recession would likely decimate TOL's client base through a reduction in consumer spending especially within the luxury home sector. Consumers still in the homebuilding market would likely opt for some of TOL's cheaper competitors' services.

Earnings Estimates

Year	2021	2022	2023	2024E	2025E	2026E
EPS	\$6.72	\$11.02	\$12.47	\$14.69	\$14.58	\$15.44
HF est.				\$14.68	\$14.74	\$15.50
growth	95.9%	64.0%	13.2%	17.7%	0.5%	5.1%

12 Month Performance



Target Price

\$161

Henry Fund DCF	\$160.54
Henry Fund DDM	\$147.33
Relative Multiple	\$138.33

Price Data

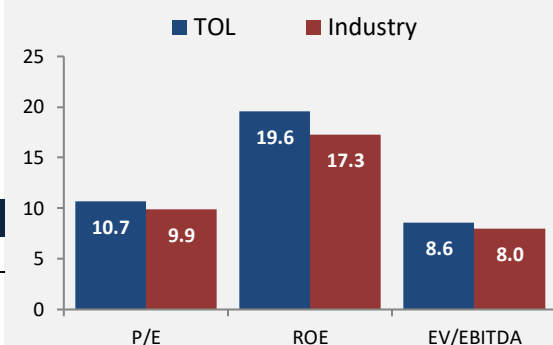
Current Price	\$148.02
52wk Range	\$68.08 – 159.58
Consensus 1yr Target	\$157.60

Key Statistics

Market Cap (M)	\$16,044.9
Shares Outstanding (M)	104.4
Institutional Ownership	89.4%
Beta	1.28
Dividend Yield	0.6%
Est. 5yr Growth	11.0%
Price/Earnings (TTM)	5.7
Price/Earnings (FY1)	10.6
Price/Sales (FY1)	1.5
Price/Book (mrq)	1.1

Profitability

Operating Margin	17.8%
Profit Margin	13.7%
Return on Assets (TTM)	11.1%
Return on Equity (TTM)	21.4%



Company Description

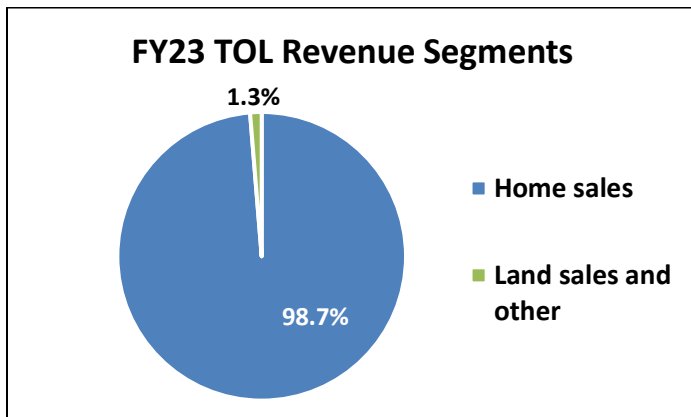
Toll Brothers, Inc. (TOL) is an American homebuilder, founded in 1967, who designs and constructs various types of homes including single-family homes, townhomes, and condominiums. TOL is known for specializing within constructing high-end residential communities due to its high focus on quality craftsmanship, customizability, and upscale amenities within its homes. The company has begun expanding into commercial real estate and land development as well.

COMPANY DESCRIPTION

Toll Brothers, Inc. has a primary focus in designing and constructing upscale residential properties including single family homes, townhomes, condominiums, etc. TOL primarily generates revenue through the sale of homes the company has built and through customized homebuilding.

Homes sold by the company are often built in the form of residential communities. Consumers are also able to utilize the prominent luxury homebuilder to design their dream homes through its customizable homebuilding service. TOL is known for its dedication to high quality craftsmanship and ability to offer highly customizable and upscale options/amenities to its customers. Both options make the luxury homebuilder a popular option in for upper-class citizens in the U.S. looking for a new home.

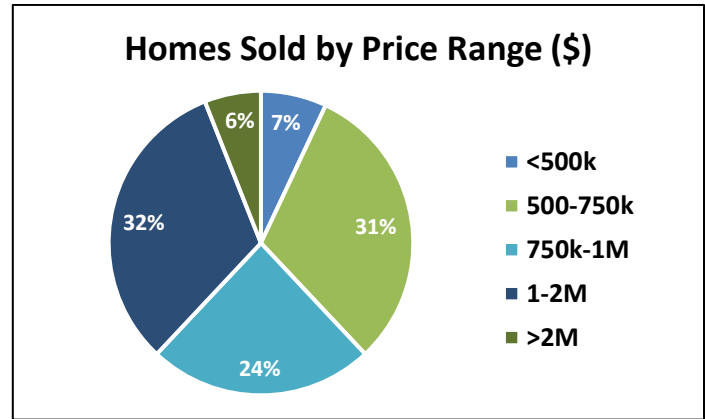
While homebuilding makes up the majority of the company's sales, TOL also has another revenue segment consisting of land development, financial services, and rentals. A revenue breakdown between home sales and land sales and other are shown below:



Source: TOL 10-K 2023

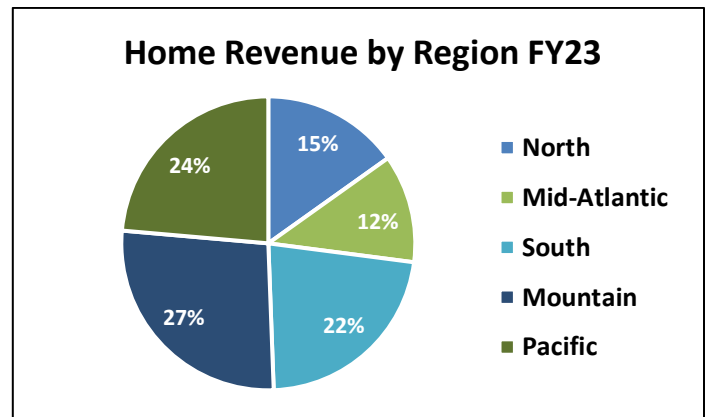
Home Sales

The home sales segment of TOL refers primarily to the construction of upscale residential communities for consumers across the U.S. The company prides itself on providing top tier quality of work while staying on top of the latest trends in luxury living. In FY23, the company delivered each home at an average price of \$1,028,000, representing a growth of 11.3% YoY¹. A breakdown of units delivered in 2023 by price is show below:



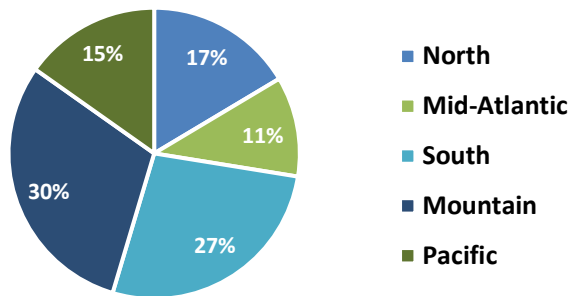
Source: TOL 10-K 2023

Despite great performance in FY2023, the average price of homes delivered has regressed to \$968,200 in Q3. While still impressive, we remained in line with consensus estimates that the average price of homes delivered will be at \$1,000,000 for FY24. This is largely due to the average price of homes delivered in TOL's South and Mountain regions being the lowest among the company's operating regions despite making up the largest portion of units delivered. A breakdown of revenue and units delivered by region in FY23 is shown below:



Source: TOL 10-K 2023

Units Delivered FY23



Source: TOL 10-K 2023

Toll Brothers is able to recognize home sales revenue when the home has been sold and closed. The company provides detail on the number of homes they have on backlog (under contract but not yet closed) in its annual reports. We utilized the following data from 2023 to provide some guidance on projecting future units delivered in each U.S. region which is directly tied to our revenue projections:

Region	Homes in Backlog	Home sites available
North	956	2,302
Mid-Atlantic	945	2,969
South	2,312	7,587
Mountain	1,577	9,479
Pacific	788	2,883
Total	6,578	25,220

Source: TOL 10-K 2023

Land Sales and Other

TOL's revenues from the land sales and other segment primarily derive from 4 key activities:

- Land sales to joint ventures where they maintain an interest
- Lot sales to third-party builders within their master-planned communities
- Bulk land sales to third parties for parcels that no longer meet their development criteria
- The sale of commercial and retail properties typically located within their urban luxury condominium communities.

Notably, the land sold to joint ventures is usually sold at the company's land basis, which results in TOL receiving little to no gross margin. This approach indicates a strategic focus on maintaining long-term relationships and

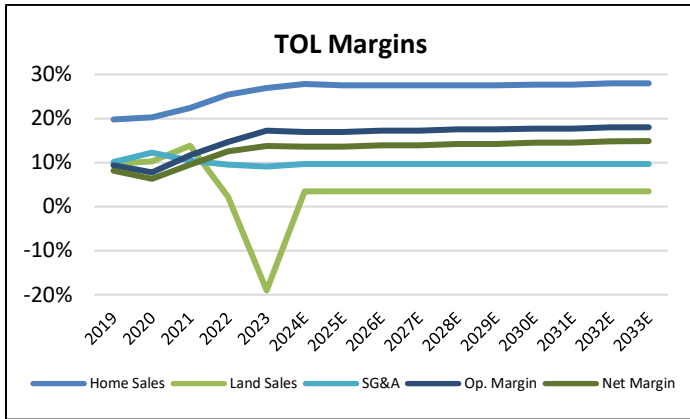
interests in joint ventures, despite limited immediate profitability from these types of transactions.

Cost Structure Analysis

Over the past 5 years, TOL has demonstrated a consistent improvement in its home sales profit margin, increasing from 20% in 2019 to just 27% in 2023³. This trend can be largely attributed to a significant rise in the average price of homes sold, which has increased by 11.3% YoY¹. This positive trend has been slightly tempered by rising costs associated with materials and labor. Looking ahead, we anticipate that TOL's home sales margin will continue to expand gradually. We project a slight regression from 27% to 26.8% until 2026 as we expect pricing power to slightly regress while lumber prices among other materials rebound from record lows. Through 2033 we project TOL will increase its margins back to 72%. While we expect the company to maintain efficient cost management practices, we foresee a slight reduction in the average price of homes sold, with an anticipated decline of 3% CAGR over the next three years. From 2027-2033, we project average price of homes sold to increase at a 2% CAGR. Both adjustments are expected to stabilize TOL's home sales margin at approximately 28% over the forecasted period.

Land sales play a very insignificant role in TOL's ability to generate profit as it is more of a strategic segment for the company. The segment historically has posted a margin between 2-15%, with 2023 being as low as -19%¹. The company buys land with hopes of developing residential communities in desirable locations. Land is often sold when the company no longer feels it will build on it or if they have a short-term need for cash. We have forecasted TOL's land sales cost margin to remain in line with its 5-year historical average at 3.4%.

TOL's SG&A expense has been strongly associated to the company's total revenue. We forecasted the company's SG&A expense at its 5-year historical average of 9.7%.



Source: FactSet, HF Estimates

Note for graph above:

- **Home sales margin:** Percentage of home sales revenue
- **Land sales margin:** Percentage of land sales revenue
- **SG&A, operating margin, and profit margin:** Percentage of total revenue

Debt Maturity Analysis

TOL has both fixed-rate and variable-rate debt on its balance sheet with about 73.7%¹ of total debt locked into fixed interest rates.

Five-Year Fixed-Rate Debt Maturity Schedule

Fiscal Year	Coupon (%)	Payment (\$k)
2020	4.61%	\$215,925
2021	5.48%	123,930
2022	5.12%	434,787
2023	4.83%	468,861
2024	4.30%	407,890
Thereafter	3.76%	464,374
Total	4.57%	\$2,108,799

Source: TOL 10-K 2023

Fixed-rate debt is used for the majority of the company's debt which has made its earnings and cash flows less susceptible to changes in interest rates.

Five-Year Variable-Rate Debt Maturity Schedule

Fiscal Year	Coupon (%)	Payment (\$k)
2024	7.10%	\$101,668
2025	-	-
2026	6.20%	101,562
2027	6.20%	60,938
2028	-	-
Thereafter	6.20%	474,500
Total	6.32%	\$751,668

Source: TOL 10-K 2023

The variable-rate debt on TOL's balance sheet makes up just 26.3% of the company's total debt in 2023¹. As interest rates are expected to continue to decrease, the company's earnings and cash flows should benefit long term.

TOL's \$2.8B in total debt is low as they have a debt-to-equity ratio of just 43.9% in FY23¹. That figure has been nearly cut in half since 2020 where the company was highly leveraged at 83.8%³. We have seen a similar trend in TOL's debt-to-assets ratio going from 36.9% to 23.8% in 2020 and 2023 respectively³. We project TOL's debt-to-equity ratio to improve to 40.4% by 2026. We project the company's debt-to-assets ratio to slightly improve to 20.4% over the forecasted period.

Company	S&P
Toll Brothers	BBB-
Taylor Morrison Home	BB+
KB Home	BB+
Meritage Homes	BBB-
PulteGroup	BBB

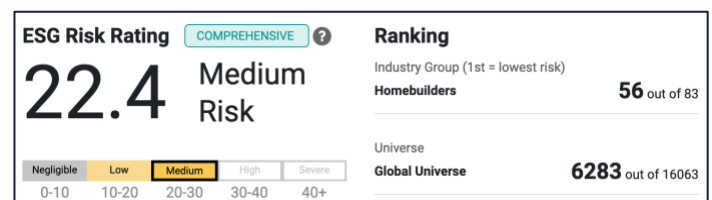
Source: FactSet

TOL boasts a BBB- rating which is slightly above the industry average. With a current ratio of 3.63x and \$1.3B in cash³, we believe Toll Brothers is well positioned to repay its debt over the forecasted period.

ESG Analysis

Environmental, Social, and Governance (ESG) are the three key factors used to assess the sustainability and social impact of an investment in a company or business. These criteria provide valuable insights into a company's potential future financial performance, including its returns and risks.

Morningstar Sustainability has TOL rated as medium risk with a poor ranking of 56th amongst 83 of its peers⁴. The company releases an annual ESG report for investors but there is a noticeable lack of quantifiable goals moving forward.



Source: Morningstar Sustainability

Company	ESG Rating	Risk Rating
Toll Brothers	22.4	Medium
Taylor Morrison Home	16.6	Low
KB Home	17.9	Low
Meritage Homes	12.1	Low
PulteGroup	21.1	Medium

Source: Morningstar Sustainalytics

RECENT DEVELOPMENTS

Q3 FY24 Earnings Release

In Q3 of FY24, the company reported a net income of \$374.6M (\$3.60 per share), a decrease from \$414.8M (\$3.73 per share) in the same period last year. TOL beat consensus earnings of \$3.31 per share by 8%. Pre-tax income also fell to \$503.6M from \$553M. Home sales revenues increased slightly by 2% to \$2.7B, with delivered homes rising by 11% to 2,814. Net signed contract value reached \$2.4B, an increase of 11% YoY. Backlog value decreased by 10% to \$7.1B, with homes in backlog down 7% to 6,769 units as well.

Chairman and CEO Douglas Yearley, Jr. expressed satisfaction with the company's quarterly results. He highlighted an adjusted gross margin of 28.8% that surpassed expectations due to operational efficiencies. The company saw an encouraging trend in net signed contracts, which increased by 11% in both units and dollars, particularly in July. With favorable market conditions and a solid pipeline, the company is optimistic about demand continuing into 2025. They are raising their full-year guidance for key metrics, expecting adjusted gross margins of around 28.3% and earnings of \$14.50-\$14.75 per share. The company also plans to increase share repurchases for fiscal 2024 from \$500 million to \$600 million, supported by a healthy balance sheet and strong cash flows. Our EPS projection in 2024 of \$14.61 per share lies within company guidance and is just slightly below consensus estimates of \$14.69 per share.

New Developments

Toll Brothers has been expanding its portfolio with several new developments in 2024. In Texas, the company launched a luxury community in Willis, Regency at Chambers Creek, aimed at residents aged 55 and older.

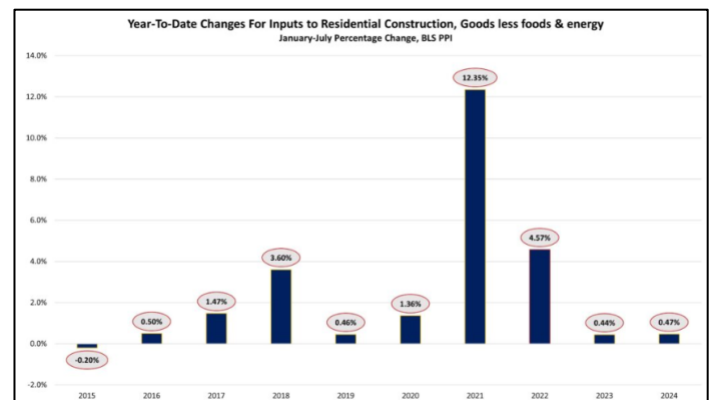
This community offers upscale amenities, including a private boat launch, nature trails, a wellness center, and a nine-hole golf course designed by PGA Tour legend Tom Lehman⁵. Homes in this development feature open-concept designs with two to three bedrooms and prices starting in the upper \$300,000s⁵.

Additionally, Toll Brothers has continued its push into the student housing market. The company recently opened "Kinetic," a luxury student apartment complex near the Georgia Institute of Technology in Atlanta. This high-end property features 239 units with amenities like study lounges, a fitness center, and a rooftop pool, catering to student lifestyles⁵. These developments reflect Toll Brothers' commitment to expanding both its luxury residential and student housing offerings across different types of consumers.

INDUSTRY TRENDS

Rebounding Material Costs

In 2024, the cost of building materials for homebuilders has shown mixed trends. Certain materials like softwood lumber have rebounded from 2023, increasing by 13% YoY¹⁷ in 2024. Steel mill product prices have declined by 14% since July 2023. Ready-mix concrete remains elevated and is up nearly 5% compared to the same period in 2023¹⁷. Overall building material prices increased modestly by about 0.47% YTD¹⁷.



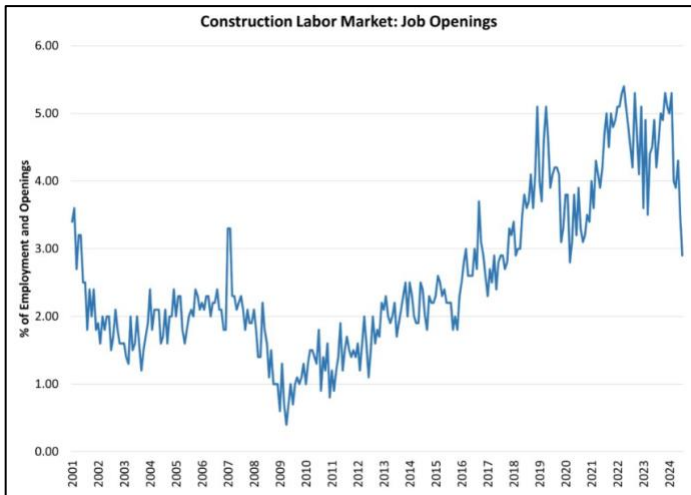
Source: Eye on Housing

Looking ahead, there is expected to be further stabilization of material costs, with softwood lumber continuing to

increase. Overall, material cost growth is anticipated to be in the 1-2% range by the end of 2024.

Construction Labor: Job Openings

In July 2024, open construction jobs continued to decline, reflecting a broader slowdown in home construction due to elevated interest rates. The number of open jobs in the construction sector dropped from 299,000 in June to 248,000 in July, down significantly from 351,000 a year ago¹⁷. This decline aligns with a general cooling in the labor market, which is considered a positive indicator for inflation and future interest rate cuts. Additionally, the overall job openings for the economy fell to 7.67 million, below the 8 million thresholds needed to ease inflation concerns¹⁷. Despite this, the skilled labor shortage in the construction industry is expected to persist, with demand likely to rise as the Federal Reserve has begun easing monetary policy.



Source: Eye on Housing

MARKETS AND COMPETITION

While Toll Brothers has found success within the luxury homebuilding space, we used 4 competitor homebuilders for our relative valuation model. These companies include

Taylor Morrison Home (TMHC), KB Home (KBH), Meritage Home (MTH), and PulteGroup (PHM).

Company	Rev	NI	Debt	Mkt Cap
THMC	\$7,418	\$769	\$2,150	\$7,586
TOL	\$9,995	\$1,372	\$2,822	\$16,669
KBH	\$6,381	\$590	\$1,691	\$6,465
MTH	\$6,113	\$739	\$1,313	\$7,537
PHM	\$16,062	\$2,602	\$2,174	\$31,177

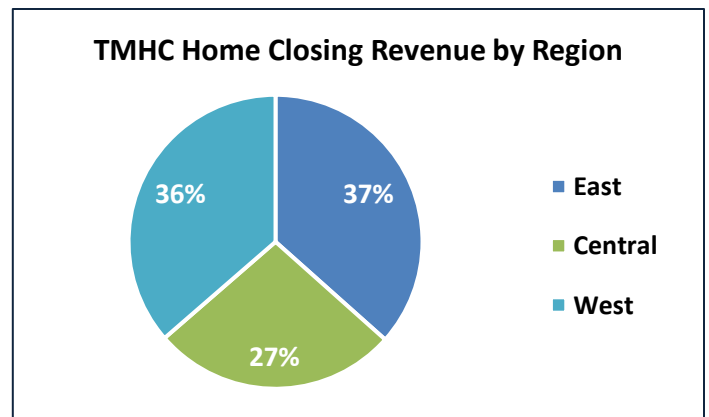
Source: FactSet

*All figures shown in millions

Taylor Morrison Home (TMHC)

Taylor Morrison is one of the leading U.S. homebuilders known for constructing a variety of homes, anywhere from entry-level to luxury. The company also developing master-planned communities with amenities like parks and pools. In 2007, the company was formed through the merger of Taylor Woodrow and Morrison Homes. The company operates in key housing markets such as Arizona, Texas, California, Florida, and Colorado. It emphasizes energy efficiency and sustainable building practices, with modern layouts and environmentally friendly materials. Through its subsidiary, Taylor Morrison Home Funding, it also offers mortgage services to streamline the homebuying process.

A geographical revenue breakdown for TMHC's home closing operations in FY23, which totaled \$7.2B, is shown below:



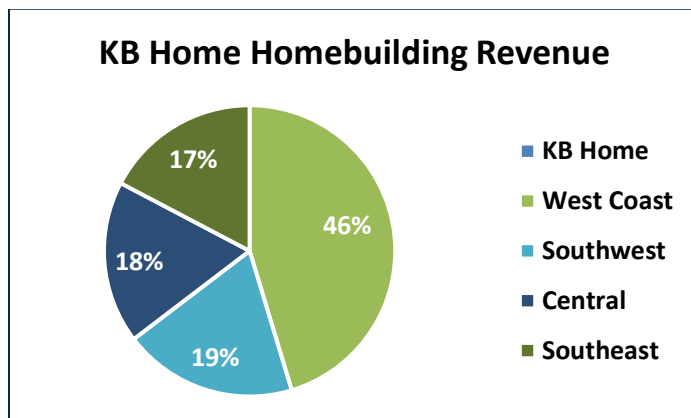
Source: TMHC 10-K 2023

KB Home (KBH)

KB Home is a large U.S. homebuilder known for offering customizable homes through its "Built to Order" approach.

This allows buyers to personalize floor plans, fixtures, and finishes. KBH was founded in 1957 and is based in Los Angeles. The company operates in key markets such as California, Texas, Florida, and Arizona, focusing on affordability for first-time and move-up buyers. KB Home also emphasizes sustainability, incorporating energy-efficient features to reduce utility costs. With flexible financing options and a reputation for quality and customer service, the company is recognized for its innovation in homebuilding.

A geographical revenue breakdown for KBH's homebuilding operations in FY23, which totaled \$5.3B, is shown below:



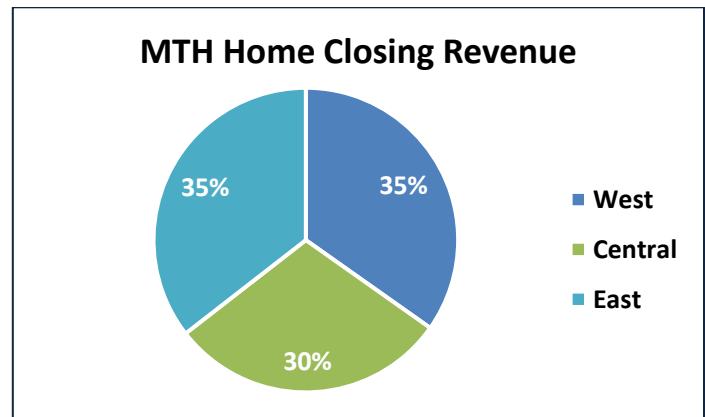
Source: KBH 10-K 2023

Meritage Homes (MTH)

Meritage Homes is a U.S. homebuilder, founded in 1985 and based in Scottsdale, Arizona. MTH is known for its focus on energy-efficient and environmentally friendly construction. The company integrates advanced energy-saving technologies, such as spray-foam insulation and ENERGY STAR certified appliances, into its home designs. Meritage operates in high-demand housing markets, including Arizona, Texas, California, and Florida, offering a range of homes that cater to both first-time buyers and move-up buyers. Known for its modern layouts and competitive pricing, Meritage combines affordability with

sustainability, making it a popular choice for eco-conscious homebuyers.

A geographical revenue breakdown for MTH's home closing segment in FY23, which totaled \$6B, is shown below:



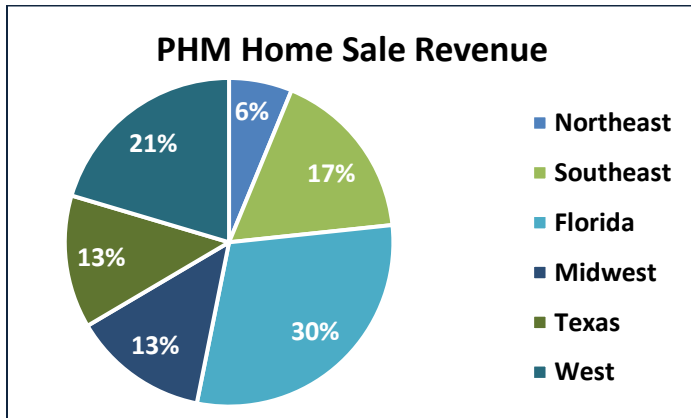
Source: MTH 10-K 2023

PulteGroup (PHM)

PulteGroup is another one of the largest U.S. homebuilders, founded in 1950 and headquartered in Atlanta, Georgia. It operates under several brands, including Pulte Homes, Centex, Del Webb, and John Wieland Homes. The company offers a wide range of homes for different buyers—from first-time homeowners to luxury buyers and retirees. The company builds homes in over 40 major housing markets, focusing on high-demand areas like Florida, Texas, and California. PHM is

known for its innovation and quality, and delivers modern, durable homes.

A geographical revenue breakdown for PHM's home sale operations in FY23, which totaled \$15.6B, is shown below:



Source: PHM 10-K 2023

Metric Peer Comparison

Profitability

Company	EBIT Margin	Net Margin
THMC	14.62%	10.37%
TOL	17.82%	13.73%
KBH	11.76%	9.14%
MTH	14.71%	12.04%
PHM	21.15%	16.14%

Source: FactSet

PHM has historically been able to manage costs and maintain a higher profitability than its peer group. TOL has seen its margins expand significantly though over the past 3 years. In 2020 TOL's EBIT and net margins were just 8.67% and 6.31%. These figures have increased for TOL each year and it will be key to monitor if they can sustain this level of margin expansion in its FY24 annual earnings report.

Units delivered & Average Price per Unit

Company	UD	APpU
THMC	11,495	\$623,000
TOL	9,597	\$1,028,000
KBH	13,236	\$403,939
MTH	13,976	\$433,400
PHM	28,603	\$545,000

Source: FactSet

*UD: Units Delivered, APpU: Average Price per Unit

The peer group is pretty consistent in terms of gross homes delivered in FY23 with PHM being an outlier due to its group of varying homebuilding brands. TOL is notably higher than its peers in terms of average price per unit due to its focus on luxury homes. TOL's total revenue slightly offset compared to its peers as it only delivered 9,597 homes in FY23.

Backlog

Company	Backlog Homes	Value (\$M)
THMC	5,289	\$3,644
TOL	6,578	\$6,945
KBH	5,510	\$2,668
MTH	2,549	\$1,088
PHM	12,146	\$7,320

Source: FactSet

Considering PHM is made up of a conglomerate of brands, the large increase in gross homes and home value in backlog compared to its peers makes sense. TOL's backlog however seems to be the highest quality amongst the peer group while having plenty of volume at 6,578 homes in backlog with an average selling price of \$1,055,000. That figure is nearly double its peers due to its focus on luxury homebuilding. It is however worth noting that TOL typically takes longer to close its homes due to the level of customization and design features it delivers to its clients.

Trading Multiples

Company	P/E 24E	P/E 25E	P/BV
THMC	8.4	7.6	1.5
TOL	10.8	10.8	2.4
KBH	9.6	8.7	1.7
MTH	9.3	8.9	1.6
PHM	10.4	10.2	2.9

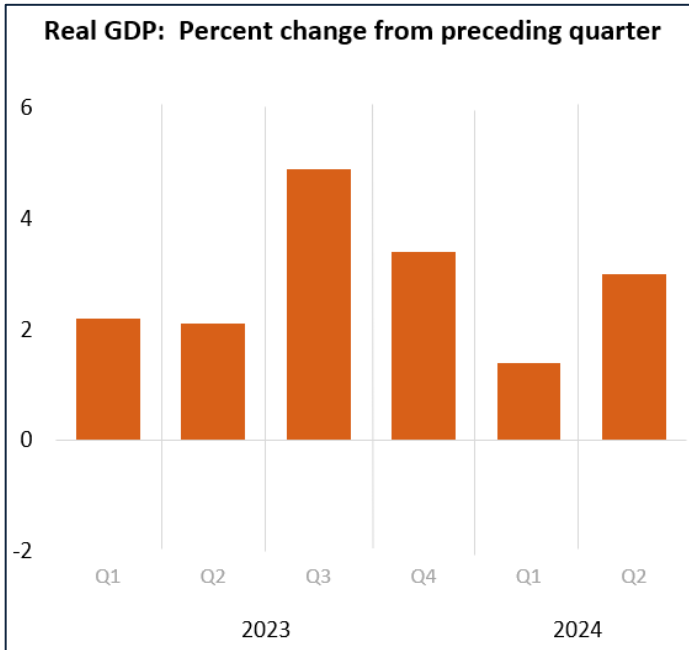
Source: FactSet

TOL seems to be trading at a premium relative to its peers with PHM trading at a similar multiple. PHM owning multiple brands with the ability to offer the widest variety of homes to consumers allows it to trade at a premium compared to its peers. TOL on the other hand, benefits from its exponential growth over the past 3 years and we believe it has now become slightly overvalued compared to its peers.

ECONOMIC OUTLOOK

Real GDP Growth

The U.S. saw real GDP grow by 1.4% and 3.0% in Q1 and Q2 of 2024 respectively so far. Looking forward, the Conference Board has continued to increase their outlook for 2024 up to 2.4%. The graph below depicts Real GDP growth Q/Q from the start of 2023 to Q2 of 2024:

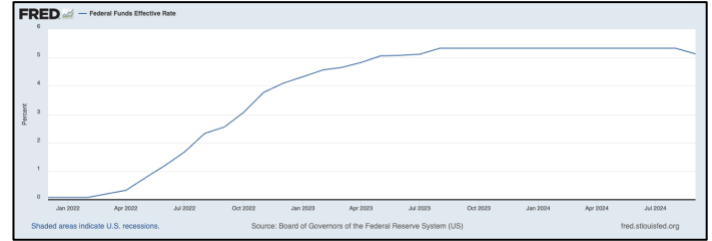


Source: U.S. Bureau of Economic Analysis

The boards increased outlook on real GDP growth positively impacts the homebuilding industry by boosting consumer confidence and demand for homes. As the economy continues to grow, people feel more secure in their jobs and finances, leading to higher home purchases. Rising incomes and employment further enhance this, allowing more families to afford homes, which increases demand for new construction which is highly beneficial for TOL. It also allows for more favorable credit conditions and easier access to mortgages for consumers. Additionally, government investment in infrastructure during growth periods improves areas where new homes are built, making the surrounding areas of TOL's new developments more attractive to consumers. Long term however, we forecast real GDP to slow to 2.5% in 2 years which would reduce consumer spending especially for luxury homes.

Interest Rates and Inflation

The Federal Reserve Committee announced on September 18, 2024, that they came to the decision to reduce the target range for the federal funds rate from 5.25-5.50% by 50 basis points (bps) to 4.75-5.00%. This decision was made as the committee expressed an increased confidence that inflation was trending toward their 2% target.

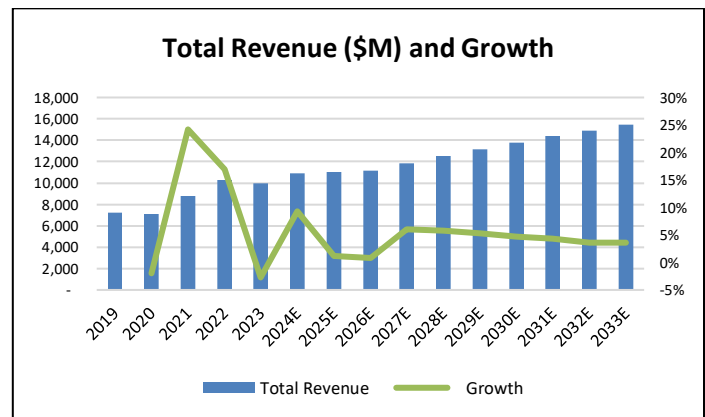


Source: FRED

A cut in the federal funds rate has historically positively impacted the homebuilding industry by lowering borrowing costs, particularly through reduced mortgage rates. As mortgage rates drop, home loans become more affordable, leading to increased housing affordability and encouraging more people, especially first-time buyers, to enter the market. This higher demand for homes drives new construction, as builders are also able to finance projects at lower costs. Additionally, a rate cut can boost consumer confidence, prompting more people to make large purchases like homes. We are projecting another 25 bps rate cut at the Fed's November meeting which would further help the homebuilding industry's performance.

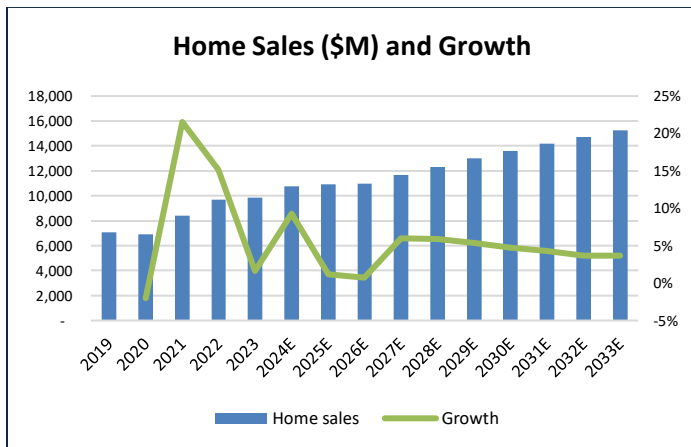
VALUATION

Revenue Growth



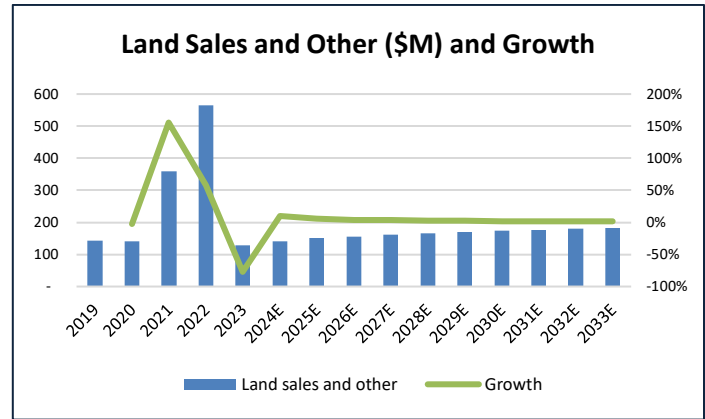
Source: FactSet and HF Estimates

TOL breaks down its home sales segment by US region. Since the company recognizes revenue when a finalized unit is delivered or sold, we projected our revenue in each region by growing units delivered. We also factor in the average price of unit delivered which reached an all-time high at \$1,028,000 in FY23. We broke this out by region to ensure we are factoring in different prices of homes in different regions. We project the average price of a home to regress in FY24-FY26 at a -3% CAGR. For FY24, we project steady unit delivery growth across all regions by 13%. This gives us a total home sales revenue of \$11B which is 5.8% above consensus estimates. We expect a regression in both units delivered and average price of units delivered in 2025 and 2026. We project units delivered will reach a sustainable growth rate in each region of 3.5-5% before tailoring off to 1.5-2% in FY33. This is largely attributed to our belief that consumer budgets will constrict over the next 2 years making luxury homes less affordable and increase in construction materials.



Source: FactSet and HF Estimates

TOL provides little detail relating to the specifics of its land sales and other segment making it difficult to project. For this reason, we projected land revenue in line with consensus estimates. We expect land revenue to remain a low % of total revenue and generate minimal profit. This makes our model less sensitive to our land revenue projections.



Source: FactSet and HF Estimates

Operating Expenses

Toll Brothers has 3 main operating expenses:

- Cost of home sales
- Cost of land sales and other
- SG&A

Toll Brothers has shown steady improvement in its ability to reduce cost of home sales in relation to home sales revenue. Its home sales cost was taking up 80% of home sales revenue in 2019 compared to just 73% in 2023. Looking ahead, we anticipate a slight increase back to 73.2% through 2026, as pricing power decreases and material costs rebound. However, we project home sales costs will improve to just 72% through the forecasted period.

We forecast the land sales margin to remain consistent with its five-year historical average of 96.6% as the company states it does not expect to generate much profit from this segment. Additionally, we project TOL's SG&A expenses, which are closely tied to total revenue, will remain at the five-year average of 9.7%.

WACC Assumptions

We calculated TOL's weighted average cost of capital (WACC) at 9.51%, which is slightly higher than consensus estimates. This can be largely attributed to the Henry Fund equity risk premium being higher than consensus estimates. The 2-year weekly Beta derived from

Bloomberg also is higher than consensus estimates as well. For this calculation, we used the following assumptions:

Risk-Free Rate: We used 4.03%, which is the 10-year US Treasury bond yield as of October 15, 2024

Beta: We used 1.28, which is the 2-year weekly raw beta from Bloomberg.

Equity Risk Premium: We used the Henry Fund consensus estimate of 5%.

Pre-Tax Cost of Debt: We used 5.49%, which is FactSet's estimate based on the bond securities TOL has issued.

Tax Rate: We used 21% for our forecast horizon, equal to the implied marginal tax rate of FY 2023.

Using these variables, we calculated Toll Brothers' cost of equity at 10.42% and after-tax cost of debt at 4.34%.

DCF Valuation

We started with Discounted Cash Flow (DCF) and Economic Profit (EP) models for our valuation. Our analysis showed an intrinsic value of \$160.54. The key assumptions we used for both models included a continuous return on invested capital (ROIC) of 16.26% and a continuous NOPLAT growth of 2.5%. We believe these models most accurately depict Toll Brothers' valuation due to its strong ability to generate free cash flow. The models consider revenue projections relying on factors such as units delivered, average price per unit delivered, geographical location. We feel confident TOL can achieve both our revenue projections and maintain its margins over the forecasted period.

DDM Valuation

Our dividend discount model (DDM) indicates an implied price of \$147.33, providing a baseline for Toll Brothers' stock price based on its dividend payments. TOL has never paid much of a dividend but have increased it by 23.56% CAGR since 2020. This largely was due to the company's earnings growing at a 53.76% CAGR. As growth in earnings slows, we expect dividends to slow as well forecasting largely in line with consensus estimates until 2026 and slowly increase to \$1.81 in 2033. Due to the company's

small dividend paid, we believe this model slightly undervalues Toll Brothers.

Relative Valuation

In our relative valuation analysis, we examined TOL's primary competitors in the homebuilding industry:

- Taylor Morrison Home (TMHC)
- KB Home (KBH)
- Meritage Homes (MTH)
- PulteGroup (PHM)

Our relative P/E models suggest implied prices of \$138.33 and \$130.28 based on projected EPS for 2024 and 2025. This is an indication that TOL may be overvalued relative to its peers considering its trading at \$148.02. Similarly, our relative P/B model indicated an implied price of \$125.22. Toll Brothers seems to be trading at a premium compared to its peers due to its recent spike in earnings growth. While our DCF model was the primary driver of our target price, it is worth noting we could see a price regression in line with its peers multiple if TOL's EPS growth slows.

KEYS TO MONITOR

Toll Brothers Revenue Metrics

The following metrics relating to TOL will be vital to the company's success and require monitorization:

- Units Delivered
- Average Price per Unit
- Homes in Backlog

While we foresee units delivered continuing to drive revenue growth for TOL, if home prices for the company remain elevated, we could see unprecedented revenue growth from the company which would increase our target price. We also want to monitor the company's homes in backlog because these are contracts that the company is expected to deliver on. If backlog homes were to decrease, it could signal future financial performance and decrease our outlook on TOL.

Economic Metrics

The main economic metrics we will continue to monitor are:

- Real GDP Growth
- Federal Funds Rate
- Inflation
- Job Openings in the Construction Labor Market
- Producer Price Index for Construction Materials

As we expect real GDP to continue growing through the end of 2024, we hope to see TOL perform well on its annual earnings report for FY24. We will need to monitor inflation, job openings, and construction material costs to ensure TOL is able to maintain its margins while delivering high end homes to consumers. We also need to monitor the health of consumers budgets due to TOL's high end client base. In the event that real GDP growth slows, we could see consumers opt for a cheaper alternative to build homes over the next few years.

REFERENCES

1. TOL 10-K 2023
2. TOL 3Q 2024 10-Q
3. FactSet
4. Morningstar Sustainalytics
5. Toll Brothers
6. Bloomberg
7. Mergent Online
8. S&P Global
9. Yahoo Finance
10. U.S. Bureau of Economic Analysis
11. NetAdvantage
12. TMHC 10-K 2023
13. KBH 10-K 2023
14. MTH 10-K 2023
15. PHM 10-K 2023
16. FRED
17. Eye On Housing

DISCLAIMER

Henry Fund reports are created by graduate students in the Applied Securities Management program at the University of Iowa's Tippie College of Business. These reports provide potential employers and other interested parties an example of the analytical skills, investment knowledge, and communication abilities of our students. Henry Fund analysts are not registered investment advisors, brokers or licensed financial professionals. The investment opinion contained in this report does not represent an offer or solicitation to buy or sell any of the aforementioned securities. Unless otherwise noted, facts

and figures included in this report are from publicly available sources. This report is not a complete compilation of data, and its accuracy is not guaranteed. From time to time, the University of Iowa, its faculty, staff, students, or the Henry Fund may hold an investment position in the companies mentioned in this report.

Toll Brothers Inc
Annual Revenue Decomposition

Fiscal Years Ending Oct. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues:													
Home sales	8,432	9,711	9,866	10,838	10,965	11,055	11,725	12,406	13,077	13,707	14,296	14,829	15,367
Growth	21.54%	15.17%	1.59%	9.86%	1.17%	0.82%	6.06%	5.81%	5.41%	4.82%	4.30%	3.72%	3.63%
Land sales and other	359	564	129	219	233	242	251	258	265	270	274	278	282
Growth	155.60%	57.38%	-77.16%	70.21%	6.13%	3.89%	3.61%	3.01%	2.47%	1.98%	1.57%	1.48%	1.43%
Total Revenue	8,790	10,276	9,995	11,058	11,198	11,297	11,976	12,664	13,341	13,977	14,570	15,107	15,649
Growth	24.20%	16.90%	-2.73%	10.63%	1.27%	0.88%	6.01%	5.75%	5.35%	4.76%	4.25%	3.68%	3.59%
Home Sales By Geography:													
North													
Revenue	1,646	1,854	1,494	1,715	1,748	1,751	1,875	2,008	2,140	2,273	2,387	2,484	2,584
Growth	20.59%	12.62%	-19.40%	14.76%	1.96%	0.14%	7.08%	7.14%	6.55%	6.20%	5.03%	4.07%	4.01%
Units delivered	2,273	2,163	1,577	1,866	1,961	2,025	2,125	2,233	2,332	2,428	2,500	2,551	2,601
Growth	13.08%	-4.84%	-27.09%	18.31%	5.11%	3.24%	4.98%	5.04%	4.46%	4.12%	2.97%	2.03%	1.97%
Average Price per Unit	724	857	947	919	891	865	882	900	918	936	955	974	993
Growth	6.63%	18.37%	10.55%	-3.00%	-3.00%	-3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Mid-Atlantic													
Revenue	1,073	1,149	1,175	1,323	1,374	1,385	1,485	1,590	1,693	1,797	1,886	1,962	2,039
Growth	26.93%	7.05%	2.29%	12.59%	3.81%	0.82%	7.20%	7.11%	6.48%	6.12%	4.98%	3.99%	3.95%
Units delivered	1,400	1,222	1,067	1,238	1,325	1,378	1,448	1,520	1,587	1,651	1,700	1,733	1,766
Growth	10.15%	-12.71%	-12.68%	16.07%	7.02%	3.94%	5.10%	5.01%	4.39%	4.04%	2.92%	1.95%	1.91%
Average Price per Unit	766	940	1,102	1,068	1,036	1,005	1,025	1,046	1,067	1,088	1,110	1,132	1,155
Growth	15.12%	22.77%	17.14%	-3.00%	-3.00%	-3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
South													
Revenue	1,183	1,520	2,205	2,557	2,554	2,552	2,694	2,844	2,988	3,109	3,235	3,349	3,467
Growth	13.64%	28.45%	45.09%	15.98%	-0.10%	-0.09%	5.57%	5.57%	5.06%	4.04%	4.04%	3.53%	3.53%
Units delivered	1,783	2,033	2,597	3,105	3,198	3,294	3,409	3,528	3,634	3,707	3,781	3,838	3,895
Growth	13.86%	14.02%	27.74%	19.56%	2.99%	3.00%	3.50%	3.50%	3.00%	2.00%	2.00%	1.50%	1.50%
Average Price per Unit	664	748	849	824	799	775	790	806	822	839	856	873	890
Growth	-0.18%	12.63%	13.58%	-3.00%	-3.00%	-3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Mountain													
Revenue	2,003	2,748	2,661	2,656	2,680	2,718	2,886	3,039	3,197	3,331	3,463	3,582	3,703
Growth	30.40%	37.18%	-3.17%	-0.17%	0.91%	1.42%	6.15%	5.30%	5.19%	4.21%	3.95%	3.45%	3.38%
Units delivered	2,732	3,366	2,897	2,982	3,102	3,243	3,375	3,485	3,594	3,672	3,742	3,795	3,846
Growth	23.12%	23.21%	-13.93%	2.92%	4.03%	4.56%	4.07%	3.24%	3.13%	2.17%	1.91%	1.42%	1.35%
Average Price per Unit	733	816	918	891	864	838	855	872	890	907	925	944	963
Growth	5.94%	11.33%	12.51%	-3.00%	-3.00%	-3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Pacific													
Revenue	2,156	2,442	2,329	2,587	2,609	2,649	2,786	2,924	3,059	3,197	3,326	3,452	3,574
Growth	6.21%	13.27%	-4.61%	11.08%	0.83%	1.53%	5.16%	4.97%	4.61%	4.52%	4.02%	3.80%	3.55%
Units delivered	1,566	1,731	1,459	1,671	1,737	1,818	1,874	1,929	1,978	2,027	2,067	2,103	2,135
Growth	17.39%	10.54%	-15.71%	14.51%	3.95%	4.67%	3.10%	2.91%	2.56%	2.47%	1.98%	1.76%	1.52%
Average Price per Unit	1,377	1,411	1,597	1,549	1,502	1,457	1,486	1,516	1,546	1,577	1,609	1,641	1,674
Growth	-9.52%	2.46%	13.18%	-3.00%	-3.00%	-3.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Toll Brothers Inc
Quarterly Revenue Decomposition

	Q2	Q3	Q4	Q1	Q2	Q3		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4								
Fiscal Years Ending Oct. 31	Apr-23	Jul-23	Oct-23	Jan-24	Apr-24	Jul-24		Oct-24E	Jan-25E	Apr-25E	Jul-25E	Oct-25E	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E		2021	2022	2023	2024E	2025E	2026E	2027E
Revenues:																												
Home sales	2,490	2,675	2,952	1,932	2,647	2,725		3,535	1,944	2,768	2,973	3,281	1,935	2,819	2,985	3,317	2,079	2,959	3,179	3,508		8,432	9,711	9,866	10,838	10,965	11,055	11,725
Y/Y Growth	13.89%	18.54%	-17.57%	10.43%	6.30%	1.87%		19.76%	0.65%	4.56%	9.11%	-7.19%	-0.50%	1.86%	0.41%	1.09%	7.46%	4.97%	6.49%	5.78%		21.54%	15.17%	1.59%	9.86%	1.17%	0.82%	6.06%
Land sales and other	17	13	68	16	191	4		9	55	31	23	123	57	32	24	128	60	33	25	133		359	564	129	219	233	242	251
Y/Y Growth	-81.43%	-94.55%	-47.93%	-47.88%	1027%	-73.08%		-86.21%	246.61%	-83.97%	570.96%	1210.06%	2.52%	3.89%	3.89%	3.89%	5.00%	3.61%	3.61%	3.61%		155.60%	57.38%	-77.16%	70.21%	6.13%	3.89%	3.61%
Total Revenue	2,507	2,688	3,020	1,948	2,838	2,728		3,545	2,000	2,798	2,996	3,404	1,991	2,851	3,009	3,445	2,139	2,992	3,204	3,641		8,790	10,276	9,995	11,058	11,198	11,297	11,976
Q/Q Growth	40.83%	7.20%	12.38%	-35.51%	45.68%	-3.86%		29.93%	-43.58%	39.92%	7.08%	13.62%	-41.50%	43.15%	5.56%	14.47%	-37.91%	39.90%	7.07%	13.64%								
Y/Y Growth	10.08%	7.73%	-18.64%	9.42%	13.18%	1.50%		17.36%	2.67%	-1.39%	9.83%	-3.96%	-0.42%	1.88%	0.44%	1.19%	7.39%	4.96%	6.46%	5.70%		24.20%	16.90%	-2.73%	10.63%	1.27%	0.88%	6.01%
Home Sales By Geography:																												
North																												
Revenue	381	378	412	273	335	375		732	378	446	442	482	376	442	446	486	405	478	474	517		1,646	1,854	1,494	1,715	1,748	1,751	1,875
Y/Y Growth	-4.41%	-21.54%	-33.32%	-15.55%	-12.09%	-0.68%		77.46%	38.55%	33.09%	17.81%	-34.07%	-0.34%	-0.92%	1.02%	0.70%	7.60%	8.23%	6.15%	6.48%		20.59%	12.62%	-19.40%	14.76%	1.96%	0.14%	7.08%
Units delivered	408	390	422	289	349	386		842	444	507	485	525	456	516	506	547	481	550	526	569		2,273	2,163	1,577	1,866	1,961	2,025	2,125
Y/Y Growth	-17.41%	-29.73%	-39.37%	-19.05%	-14.46%	-1.03%		99.47%	53.62%	45.38%	25.64%	-37.66%	2.61%	1.76%	4.37%	4.17%	5.62%	6.51%	3.85%	4.05%		13.08%	-4.84%	-27.09%	18.31%	5.11%	3.24%	4.98%
Average Price per Unit	935	969	977	944	961	972		869	851	879	911	919	826	856	882	889	842	870	902	909		724	857	947	919	891	865	882
Y/Y Growth	15.74%	11.64%	9.98%	4.35%	2.77%	0.33%		-11.03%	-8.83%	-8.45%	-6.24%	5.76%	-2.88%	-2.63%	-3.21%	-3.32%	1.87%	1.61%	2.22%	2.34%		6.63%	18.37%	10.55%	-3.00%	-3.00%	-3.00%	2.00%
Mid-Atlantic																												
Revenue	310	289	388	264	376	336		347	221	362	337	454	222	364	343	456	239	391	364	490		1,073	1,149	1,175	1,323	1,374	1,385	1,485
Y/Y Growth	15.44%	13.58%	1.09%	39.66%	21.48%	16.36%		-10.50%	-16.31%	-3.79%	0.44%	30.59%	0.26%	0.47%	1.86%	0.60%	7.80%	7.58%	6.11%	7.43%		26.93%	7.05%	2.29%	12.59%	3.81%	0.82%	7.20%
Units delivered	274	247	380	277	378	362		221	206	340	307	472	214	351	324	489	225	372	335	516		1,400	1,222	1,067	1,238	1,325	1,378	1,448
Y/Y Growth	-0.72%	-7.49%	-5.71%	66.87%	37.96%	46.56%		-41.72%	-25.56%	-9.96%	-15.24%	113.14%	3.55%	3.21%	5.52%	3.61%	5.49%	5.84%	3.53%	5.44%		10.15%	-12.71%	-12.68%	16.07%	7.02%	3.94%	5.10%
Average Price per Unit	1,130	1,168	1,021	954	995	927		1,568	1,072	1,063	1,099	961	1,038	1,035	1,061	933	1,060	1,052	1,087	951		766	940	1,102	1,068	1,036	1,005	1,025
Y/Y Growth	16.26%	22.78%	7.21%	-16.28%	-11.94%	-20.59%		53.57%	12.40%	6.85%	18.50%	-38.73%	-3.18%	-2.66%	-3.46%	-2.90%	2.19%	1.64%	2.49%	1.89%		15.12%	22.77%	17.14%	-3.00%	-3.00%	-3.00%	2.00%
South																												
Revenue	519	633	660	533	658	776		589	455	602	733	765	447	600	740	766	480	635	773	806		1,183	1,520	2,205	2,557	2,554	2,552	2,694
Y/Y Growth	59.13%	79.36%	10.54%	35.63%	26.76%	22.72%		-10.68%	-14.58%	-8.60%	-5.59%	29.71%	-1.89%	-0.33%	0.98%	0.14%	7.50%	5.83%	4.45%	5.32%		13.64%	28.45%	45.09%	15.98%	-0.10%	-0.09%	5.57%
Units delivered	659	732	717	631	804	934		736	602	811	901	883	618	832	930	914	642	865	961	941		1,783	2,033	2,597	3,105	3,198	3,294	3,409
Y/Y Growth	47.43%	56.08%	-6.88%	29.04%	22.00%	27.60%		2.65%	-4.58%	0.93%	-3.50%	19.96%	2.57%	2.49%	3.23%	3.53%	3.94%	4.01%	3.27%	2.97%		13.86%	14.02%	27.74%	19.56%	2.99%	3.00%	3.50%
Average Price per Unit	788	864	920	845	819	831		801	756	742	813	866	723	721	795	838	748	734	805	857		664	748	849	824	799	775	790
Y/Y Growth	7.94%	14.92%	18.71%	5.10%	3.91%	-3.83%		-12.98%	-10.48%	-9.44%	-2.16%	8.13%	-4.34%	-2.76%	-2.18%	-3.27%	3.43%	1.74%	1.14%	2.28%		-0.18%	12.63%	13.58%	-3.00%	-3.00%	-3.00%	2.00%
Mountain																												
Revenue	674	726	780	453	604	670		929	484	679	731	786	489	686	748	795	521	731	787	846		2,003	2,748	2,661	2,656	2,680	2,718	2,886
Y/Y Growth	3.17%	9.92%	-19.68%	-5.58%	-10.47%	-7.71%		19.08%	6.69%	12.52%	9.16%	-15.40%	1.15%	1.07%	2.22%	1.16%	6.43%	6.53%	5.33%	6.43%		30.40%	37.18%	-3.17%	-0.17%	0.91%	1.42%	6.15%
Units delivered	767	775	807	485	686	774		1,037	587	821	830	864	611	858	872	902	638	894	903	940		2,732	3,366	2,897	2,982	3,102	3,243	3,375
Y/Y Growth	-5.77%	-3.37%	-29.64%	-11.50%	-10.56%	-0.13%		28.45%	20.98%	19.71%	7.21%	-16.65%	4.19%	4.46%	5.14%	4.35%	4.44%	4.17%	3.50%	4.28%		23.12%	23.21%	-13.93%	2.92%	4.03%	4.56%	4.07%
Average Price per Unit	879	937	967	935	880	866		896	824	827	881	910	800	800	857	882	816	818	872	900		733	816	918	891	864	838	855
Y/Y Growth	9.49%	13.74%	14.16%	6.68%	0.08%	-7.59%		-7.30%	-11.80%	-6.00%	1.81%	1.49%	-2.92%	-3.25%	-2.78%	-3.06%	1.91%	2.26%	1.77%	2.06%		5.94%	11.33%	12.51%	-3.00%	-3.00%	-3.00%	2.00%
Pacific																												
Revenue	606	648	710	409	675	566		937	409	679	726	796	412	687	740	809	436	725	775	849		2,156	2,442	2,329	2,587	2,609	2,649	2,786
Y/Y Growth	11.89%	27.99%	-29.60%	12.12%	11.36%	-12.65%		31.96%	-0.10%	0.58%	28.21%	-15.13%	0.81%	1.29%	1.95%	1.72%	5.91%	5.41%	4.73%	4.97%		6.21%	13.27%	-4.61%	11.08%	0.83%	1.53%	5.16%
Units delivered	384	380	429	245	424	358		644	317	457	452	511	327	475	477	538	342	493	488	551		1,566	1,731	1,459	1,671	1,737	1,818	1,874
Y/Y Growth	2.13%	18.38%	-42.72%	-7.89%	10.42%	-5.79%		50.05%	29.24%	7.80%	26.35%	-20.67%	3.34%	4.00%	5.49%	5.37%	4.43%	3.77%	2.30%	2.42%		17.39%	10.54%	-15.71%	14.51%	3.95%	4.67%	3.10%
Average Price per Unit	1,578	1,706	1,656	1,669	1,591	1,582		1,456	1,290	1,485	1,605	1,558	1,259	1,446	1,552	1,504	1,277	1,469	1,588	1,541		1,377	1,411	1,597	1,549	1,502	1,457	1,486
Y/Y Growth	9.56%	8.12%	22.92%	21.74%	0.85%	-7.30%		-12.05%	-22.70%	-6.70%	1.49%	6.99%	-2.45%	-2.60%	-3.36%	-3.46%	1.42%	1.58%	2.38%	2.49%		-9.52%	2.46%	13.18%	-3.00%	-3.00%	-3.00%	2.00%

Toll Brothers Inc
Annual Income Statement

<i>Fiscal Years Ending Oct. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues:													
Home sales	8,432	9,711	9,866	10,838	10,965	11,055	11,725	12,406	13,077	13,707	14,296	14,829	15,367
Land sales and other	359	564	129	219	233	242	251	258	265	270	274	278	282
Total Revenue	8,790	10,276	9,995	11,058	11,198	11,297	11,976	12,664	13,341	13,977	14,570	15,107	15,649
Cost of revenues:													
Home sales	(6,538)	(7,237)	(7,207)	(7,825)	(8,027)	(8,092)	(8,501)	(8,994)	(9,481)	(9,903)	(10,329)	(10,677)	(11,064)
Land sales and other	(309)	(552)	(153)	(212)	(225)	(234)	(242)	(249)	(256)	(261)	(265)	(269)	(273)
Total COGS	(6,847)	(7,789)	(7,361)	(8,037)	(8,252)	(8,326)	(8,743)	(9,244)	(9,736)	(10,164)	(10,594)	(10,945)	(11,337)
Selling, general and administrative	(922)	(978)	(909)	(1,073)	(1,086)	(1,096)	(1,162)	(1,229)	(1,294)	(1,356)	(1,413)	(1,466)	(1,518)
Income from operations	1,021	1,509	1,725	1,948	1,860	1,875	2,071	2,192	2,311	2,457	2,563	2,696	2,794
Other:													
Income from unconsolidated entities	74	24	50	35	38	42	46	51	56	62	68	74	82
Other income - net	41	171	68	79	87	96	106	116	128	141	155	170	187
Expenses related to early retirement c	(35)	-	-	-	-	-	-	-	-	-	-	-	-
Income before income taxes	1,100	1,704	1,842	2,062	1,986	2,013	2,223	2,359	2,495	2,659	2,785	2,940	3,063
Income tax provision	267	417	470	508	489	496	548	581	615	655	686	725	755
Net income	834	1,287	1,372	1,554	1,496	1,517	1,675	1,778	1,880	2,004	2,099	2,216	2,308
Basic EPS	6.72	11.02	12.47	14.68	14.74	15.50	17.69	19.34	21.02	22.98	24.65	26.59	28.26
Dividends per share	0.62	0.77	0.83	0.90	0.93	0.94	1.21	1.32	1.43	1.57	1.68	1.81	1.93
WA Basic Shares	124	117	110	106	101	98	95	92	89	87	85	83	82

Toll Brothers Inc
Quarterly Income Statement

Fiscal Years Ending Oct. 31	Q2 Apr-23	Q3 Jul-23	Q4 Oct-23	Q1 Jan-24	Q2 Apr-24	Q3 Jul-24	Q4 Oct-24E	Q1 Jan-25E	Q2 Apr-25E	Q3 Jul-25E	Q4 Oct-25E	Q1 Jan-26E	Q2 Apr-26E	Q3 Jul-26E	Q4 Oct-26E	Q1 Jan-27E	Q2 Apr-27E	Q3 Jul-27E	Q4 Oct-27E	2021	2022	2023	2024E	2025E	2026E	2027E
Revenues:																										
Home sales	2,490	2,675	2,952	1,932	2,647	2,724	3,535	1,974	2,741	2,961	3,290	1,990	2,764	2,985	3,317	2,110	2,931	3,166	3,517	8,432	9,711	9,866	10,838	10,965	11,055	11,725
Land sales and other	17	13	68	16	190	3	9	56	30	23	123	58	31	24	128	60	33	25	133	359	564	129	219	233	242	251
Total Revenue	2,507	2,688	3,020	1,948	2,837	2,728	3,545	2,030	2,772	2,984	3,413	2,048	2,795	3,009	3,445	2,171	2,964	3,191	3,650	8,790	10,276	9,995	11,058	11,198	11,297	11,976
Cost of revenues:																										
Home sales	(1,833)	(1,932)	(2,142)	(1,399)	(1,963)	(1,977)	(2,486)	(1,449)	(2,041)	(2,152)	(2,385)	(1,461)	(2,058)	(2,169)	(2,404)	(1,534)	(2,162)	(2,279)	(2,526)	(6,538)	(7,237)	(7,207)	(7,825)	(8,027)	(8,092)	(8,501)
Land sales and other	(21)	(12)	(79)	(10)	(13)	(9)	(180)	(62)	(31)	(17)	(115)	(65)	(32)	(18)	(120)	(67)	(33)	(18)	(124)	(309)	(552)	(153)	(212)	(225)	(234)	(242)
Total COGS	(1,854)	(1,944)	(2,220)	(1,409)	(1,976)	(1,986)	(2,666)	(1,506)	(2,078)	(2,179)	(2,489)	(1,520)	(2,097)	(2,198)	(2,511)	(1,596)	(2,202)	(2,308)	(2,637)	(6,847)	(7,789)	(7,361)	(8,037)	(8,252)	(8,326)	(8,743)
Selling, general and administrative	(228)	(229)	(241)	(230)	(238)	(245)	(360)	(253)	(272)	(274)	(288)	(255)	(274)	(276)	(291)	(270)	(291)	(293)	(308)	(922)	(978)	(909)	(1,073)	(1,086)	(1,096)	(1,162)
Income from operations	426	515	559	308	624	497	519	271	422	532	636	274	424	535	643	305	471	590	705	1,021	1,509	1,725	1,948	1,860	1,875	2,071
Other:																										
Income from unconsolidated entities	(5)	31	29	(9)	6	(11)	49	(3)	(4)	23	22	(4)	(4)	26	25	(4)	(5)	28	27	74	24	50	35	38	42	46
Other income - net	10	7	17	12	20	17	30	43	13	10	22	47	14	10	24	51	16	12	27	41	171	68	79	87	96	106
Expenses related to early retirement c	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(35)	-	-	-	-	-	-
Income before income taxes	431	553	605	311	650	504	597	310	431	564	680	317	434	571	691	352	482	630	759	1,100	1,704	1,842	2,062	1,986	2,013	2,223
Income tax provision	(110)	(138)	(159)	(72)	(168)	(129)	877	(65)	(115)	(144)	(166)	(66)	(116)	(146)	(168)	(73)	(129)	(161)	(186)	267	417	470	508	489	496	548
Net income	320	415	446	240	482	375	1,474	245	316	421	514	251	318	425	523	280	354	469	573	834	1,287	1,372	1,554	1,496	1,517	1,675

Toll Brothers Inc
Balance Sheet

<i>Fiscal Years Ending Oct. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Assets:													
Cash & cash equivalents	1,638	1,347	1,300	2,067	2,600	3,203	3,760	4,375	5,121	5,967	6,927	7,987	9,132
Inventory	7,916	8,733	9,058	9,792	9,917	10,004	10,605	11,215	11,815	12,377	12,903	13,378	13,858
Property, construction, & office equipment - gross	576	577	610	689	764	847	934	1,025	1,121	1,222	1,328	1,439	1,556
Accumulated Depreciation	266	289	286	299	360	373	437	458	523	552	619	655	724
Property, construction, & office equipment - net	310	288	324	390	404	474	497	567	598	670	710	785	832
Receivables, prepaid expenses, & other assets	738	747	691	832	843	850	901	953	1,004	1,052	1,097	1,137	1,178
Mortgage loans held for sale - at fair value	247	185	111	123	124	125	133	141	148	155	162	168	174
Customer deposits held in escrow	89	136	85	117	119	120	127	135	142	148	155	160	166
Investments in unconsolidated entities	599	852	959	956	1,052	1,157	1,273	1,400	1,540	1,694	1,863	2,050	2,255
Total assets	11,538	12,289	12,527	14,278	15,058	15,933	17,296	18,785	20,368	22,064	23,816	25,664	27,595
Liabilities:													
Loans payable	1,012	1,185	1,164	1,279	1,305	1,333	1,418	1,509	1,597	1,686	1,769	1,851	1,934
Senior notes	2,404	1,995	1,596	1,981	2,021	2,065	2,196	2,338	2,474	2,612	2,740	2,868	2,996
Mortgage company loan facility	148	149	100	138	140	143	152	162	172	181	190	199	208
Customer deposits	636	681	541	688	697	703	745	788	830	869	906	940	974
Accounts payable	562	619	598	642	650	656	696	735	775	812	846	877	909
Accrued expenses	1,220	1,346	1,549	1,577	1,597	1,611	1,708	1,806	1,903	1,994	2,078	2,155	2,232
Income taxes payable	215	291	166	314	303	307	339	360	380	405	425	448	467
Total liabilities	6,197	6,267	5,714	6,619	6,714	6,820	7,254	7,699	8,131	8,559	8,955	9,339	9,719
Common stock & APIC	715	718	700	700	700	700	700	700	700	700	700	700	700
Retained earnings	4,970	6,167	6,676	8,135	9,537	10,962	12,523	14,179	15,931	17,798	19,754	21,818	23,969
Treasury stock, at cost	(392)	(916)	(619)	(1,233)	(1,949)	(2,605)	(3,238)	(3,850)	(4,450)	(5,050)	(5,650)	(6,250)	(6,850)
Accumulated other comprehensive income ("AOCI")	1	38	41	41	41	41	41	41	41	41	41	41	41
Total stockholders' equity	5,295	6,006	6,797	7,643	8,329	9,098	10,026	11,070	12,222	13,489	14,845	16,309	17,860
Noncontrolling interest	45	16	16	16	16	16	16	16	16	16	16	16	16
Total equity	5,340	6,022	6,813	7,659	8,345	9,114	10,042	11,086	12,238	13,505	14,861	16,325	17,876
Total Liabilities and SHE	11,537	12,289	12,527	14,278	15,058	15,933	17,296	18,785	20,368	22,064	23,816	25,664	27,595

Toll Brothers Inc
Historical Cash Flow Statement

Fiscal Years Ending Oct. 31	2019	2020	2021	2022	2023
Net income (loss)	590	447	834	1,287	1,372
Adjustments:					
Depreciation & amortization	72	69	76	77	76
Stock-based compensation	26	24	23	21	25
Income from unconsolidated entities	(25)	(1)	(74)	(24)	(50)
Distributions of earnings from unconsolidated entities	32	27	83	32	88
Deferred tax provision (benefit)	103	98	12	(97)	36
Inventory impairments & write-offs	42	56	27	40	70
Loss (gain) on sale of assets	(36)	(13)	(39)	1	(0)
Other	(1)	(3)	(0)	4	3
Expenses related to early retirement of debt	-	-	35	-	-
Operating Cash Flows:					
Inventory	(40)	353	(196)	(619)	(22)
Origination of mortgage loans	(1,611)	(1,816)	(2,178)	(2,036)	(1,603)
Sale of mortgage loans	1,566	1,806	2,160	2,086	1,682
Receivables, prepaid expenses, & other assets	(185)	(176)	136	(95)	(136)
Customer deposits - net	14	70	166	(3)	(88)
Accounts payable & accrued expense	(65)	72	215	152	(24)
Current income taxes - net	(43)	(4)	25	161	(163)
Net cash flows from operating activities	438	1,008	1,303	987	1,266
Investing Cash Flows:					
Purchase of property, construction, & equipment	(87)	(110)	(67)	(72)	(73)
Investments in unconsolidated entities	(57)	(72)	(222)	(227)	(216)
Return of investments in unconsolidated entities	148	47	204	117	113
Proceeds from the sale of assets	80	16	80	28	26
Business acquisitions	(162)	(60)	-	-	-
Other	2	1	1	0	-
Net cash flows from investing activities	(76)	(178)	(4)	(153)	(151)
Financing Cash Flows:					
Proceeds from issuance of senior notes	400	-	-	-	-
Proceeds from loans payable	2,699	4,027	3,158	4,305	3,079
Debt issuance costs	(6)	-	-	-	(5)
Principal payments of loans payable	(2,472)	(4,113)	(3,425)	(4,356)	(3,239)
Redemption of senior notes	(600)	-	(294)	(410)	(400)
Proceeds (payments) for stock-based compensation	17	25	10	(1)	48
Purchase of treasury stock	(234)	(634)	(378)	(543)	(562)
Dividends paid	(64)	(57)	(77)	(89)	(91)
Receipts (payments) related to noncontrolling interests	0	(2)	(5)	(26)	0
Net cash flows from financing activities	(259)	(753)	(1,011)	(1,120)	(1,170)
Net increase (decrease) in cash, cash equivalents, & restricted cash	103	77	288	(286)	(54)
Cash, cash equivalents, & restricted cash at beginning of period	1,216	1,320	1,397	1,684	1,399
Cash, cash equivalents, & restricted cash at end of period	1,320	1,397	1,684	1,399	1,344

Toll Brothers Inc
Forecasted Cash Flow Statement

Fiscal Years Ending Oct. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Operating Activities:										
Net Income	1,554	1,496	1,517	1,675	1,778	1,880	2,004	2,099	2,216	2,308
Adjustments for Non-Cash Operating Expenses										
Add: D&A	13	61	13	64	21	65	29	67	36	69
Changes in Operating Activities:										
Inventory	(734)	(124)	(87)	(601)	(610)	(600)	(563)	(526)	(475)	(481)
Receivables, prepaid expenses, and other assets	(141)	(11)	(7)	(51)	(52)	(51)	(48)	(45)	(40)	(41)
Mortgage loans held for sale - at fair value	(12)	(2)	(1)	(8)	(8)	(8)	(7)	(7)	(6)	(6)
Customer deposits held in escrow	(32)	(1)	(1)	(7)	(7)	(7)	(7)	(6)	(6)	(6)
Customer deposits	147	9	6	42	43	42	40	37	33	34
Accounts payable	44	8	6	39	40	39	37	34	31	32
Accrued expenses	28	20	14	97	98	97	91	85	76	77
Income taxes payable	148	(12)	4	32	21	21	25	19	24	19
Cash provided by Operating Activities	1,015	1,444	1,463	1,283	1,324	1,478	1,600	1,758	1,890	2,006
Changes in Investing Activities:										
Property, construction, & office equipment - gross	(79)	(75)	(83)	(87)	(92)	(96)	(101)	(106)	(111)	(117)
Investments in unconsolidated entities	3	(96)	(105)	(116)	(127)	(140)	(154)	(169)	(186)	(205)
Cash Provided by Investing Activities	(76)	(171)	(188)	(203)	(219)	(236)	(255)	(275)	(298)	(322)
Changes in Financing Activities:										
Loans payable	115	26	28	84	92	88	89	83	83	82
Senior notes	385	40	44	131	142	136	138	128	128	127
Mortgage company loan facility	38	3	3	9	10	9	10	9	9	9
Common stock & APIC	-	-	-	-	-	-	-	-	-	-
Share repurchases	(614)	(716)	(656)	(633)	(612)	(600)	(600)	(600)	(600)	(600)
Dividends paid	(95)	(94)	(92)	(114)	(121)	(128)	(137)	(143)	(151)	(157)
Cash Provided by Financing Activities	(172)	(741)	(672)	(523)	(490)	(495)	(500)	(523)	(532)	(539)
Change in Cash	767	532	603	557	615	747	845	960	1,060	1,145
Cash & cash equivalents at end of period	2,067	2,600	3,203	3,760	4,375	5,121	5,967	6,927	7,987	9,132

Toll Brothers Inc
Common Size Income Statement

<i>Fiscal Years Ending Oct. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Revenues:													
Home sales	95.92%	94.51%	98.71%	98.02%	97.92%	97.86%	97.91%	97.96%	98.02%	98.07%	98.12%	98.16%	98.20%
Land sales	4.08%	5.49%	1.29%	1.98%	2.08%	2.14%	2.09%	2.04%	1.98%	1.93%	1.88%	1.84%	1.80%
Total Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of revenues:													
Home sales	-74.38%	-70.43%	-72.11%	-70.77%	-71.68%	-71.63%	-70.98%	-71.02%	-71.06%	-70.86%	-70.89%	-70.67%	-70.70%
Land sales	-3.52%	-5.37%	-1.54%	-1.92%	-2.01%	-2.07%	-2.02%	-1.97%	-1.92%	-1.86%	-1.82%	-1.78%	-1.74%
Total COGS	-77.90%	-75.80%	-73.64%	-72.68%	-73.69%	-73.70%	-73.00%	-72.99%	-72.98%	-72.72%	-72.71%	-72.45%	-72.44%
Selling, general and administrative	-10.49%	-9.52%	-9.10%	-9.70%	-9.70%	-9.70%	-9.70%	-9.70%	-9.70%	-9.70%	-9.70%	-9.70%	-9.70%
Income from operations	11.61%	14.68%	17.26%	17.61%	16.61%	16.60%	17.29%	17.31%	17.32%	17.58%	17.59%	17.85%	17.86%
Other:													
Income from unconsolidated entities	0.84%	0.23%	0.50%	0.31%	0.34%	0.37%	0.39%	0.40%	0.42%	0.44%	0.46%	0.49%	0.52%
Other income - net	0.46%	1.67%	0.68%	0.72%	0.78%	0.85%	0.88%	0.92%	0.96%	1.01%	1.06%	1.13%	1.20%
Expenses related to early retirement c	-0.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before income taxes	12.52%	16.58%	18.43%	18.65%	17.73%	17.82%	18.56%	18.63%	18.70%	19.02%	19.12%	19.46%	19.57%
Income tax provision	3.03%	4.06%	4.71%	4.59%	4.37%	4.39%	4.57%	4.59%	4.61%	4.69%	4.71%	4.80%	4.82%
Net income	9.48%	12.52%	13.73%	14.05%	13.36%	13.43%	13.99%	14.04%	14.09%	14.34%	14.41%	14.67%	14.75%

Toll Brothers Inc
Common Size Balance Sheet

Fiscal Years Ending Oct. 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Assets:													
Cash & cash equivalents	18.63%	13.11%	13.01%	18.69%	23.21%	28.35%	31.40%	34.55%	38.39%	42.69%	47.54%	52.87%	58.36%
Inventory	90.05%	84.99%	90.63%	88.56%	88.56%	88.56%	88.56%	88.56%	88.56%	88.56%	88.56%	88.56%	88.56%
Property, construction, & office equipment - net	3.53%	2.80%	3.24%	3.52%	3.61%	4.19%	4.15%	4.48%	4.48%	4.80%	4.87%	5.19%	5.32%
Receivables, prepaid expenses, & other assets	8.40%	7.27%	6.91%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53%	7.53%
Mortgage loans held for sale - at fair value	2.81%	1.80%	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%	1.11%
Customer deposits held in escrow	1.01%	1.32%	0.85%	1.06%	1.06%	1.06%	1.06%	1.06%	1.06%	1.06%	1.06%	1.06%	1.06%
Investments in unconsolidated entities	6.81%	8.29%	9.59%	8.65%	9.39%	10.24%	10.63%	11.05%	11.54%	12.12%	12.79%	13.57%	14.41%
Total assets	131.26%	119.59%	125.33%	129.12%	134.47%	141.04%	144.42%	148.33%	152.67%	157.86%	163.45%	169.89%	176.34%
Liabilities:													
Loans payable	11.51%	11.53%	11.65%	11.57%	11.65%	11.80%	11.84%	11.92%	11.97%	12.06%	12.14%	12.26%	12.36%
Senior notes	27.35%	19.42%	15.97%	17.92%	18.05%	18.28%	18.34%	18.46%	18.54%	18.69%	18.81%	18.99%	19.14%
Mortgage company loan facility	1.68%	1.45%	1.00%	1.24%	1.25%	1.27%	1.27%	1.28%	1.29%	1.30%	1.31%	1.32%	1.33%
Customer deposits	7.24%	6.63%	5.41%	6.22%	6.22%	6.22%	6.22%	6.22%	6.22%	6.22%	6.22%	6.22%	6.22%
Accounts payable	6.39%	6.02%	5.98%	5.81%	5.81%	5.81%	5.81%	5.81%	5.81%	5.81%	5.81%	5.81%	5.81%
Accrued expenses	13.88%	13.10%	15.50%	14.26%	14.26%	14.26%	14.26%	14.26%	14.26%	14.26%	14.26%	14.26%	14.26%
Income taxes payable	2.45%	2.83%	1.66%	2.84%	2.70%	2.72%	2.83%	2.84%	2.85%	2.90%	2.92%	2.97%	2.98%
Total liabilities	70.50%	60.99%	57.17%	59.86%	59.95%	60.37%	60.57%	60.79%	60.94%	61.24%	61.46%	61.82%	62.11%
Common Stock & APIC	8.13%	6.99%	7.00%	6.33%	6.25%	6.20%	5.85%	5.53%	5.25%	5.01%	4.80%	4.63%	4.47%
Retained earnings	56.54%	60.02%	66.79%	73.56%	85.16%	97.03%	104.57%	111.96%	119.41%	127.34%	135.57%	144.43%	153.16%
Treasury stock, at cost	-4.46%	-8.91%	-6.19%	-11.15%	-17.40%	-23.06%	-27.04%	-30.40%	-33.35%	-36.13%	-38.78%	-41.37%	-43.77%
Accumulated other comprehensive income ("AOCI")	0.01%	0.37%	0.41%	0.37%	0.37%	0.36%	0.34%	0.32%	0.31%	0.29%	0.28%	0.27%	0.26%
Total stockholders' equity	60.24%	58.45%	68.00%	69.11%	74.37%	80.53%	83.72%	87.41%	91.61%	96.51%	101.88%	107.96%	114.13%
Noncontrolling interest	0.51%	0.16%	0.16%	0.14%	0.14%	0.14%	0.13%	0.13%	0.12%	0.11%	0.11%	0.11%	0.10%
Total equity	60.75%	58.61%	68.16%	69.26%	74.52%	80.67%	83.85%	87.54%	91.73%	96.62%	101.99%	108.07%	114.23%
Total Liabilities and SHE	131.25%	119.59%	125.33%	129.12%	134.47%	141.04%	144.42%	148.33%	152.67%	157.86%	163.45%	169.89%	176.34%

Toll Brothers Inc
Value Driver Estimation

<i>Fiscal Years Ending Oct. 31</i>	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
NOPLAT:													
Home sales revenue	8,432	9,711	9,866	10,838	10,965	11,055	11,725	12,406	13,077	13,707	14,296	14,829	15,367
Land sales revenue	359	564	129	219	233	242	251	258	265	270	274	278	282
Home sales cost	(6,538)	(7,237)	(7,207)	(7,825)	(8,027)	(8,092)	(8,501)	(8,994)	(9,481)	(9,903)	(10,329)	(10,677)	(11,064)
Land sales cost	(309)	(552)	(153)	(212)	(225)	(234)	(242)	(249)	(256)	(261)	(265)	(269)	(273)
SGA cost	(922)	(978)	(909)	(1,073)	(1,086)	(1,096)	(1,162)	(1,229)	(1,294)	(1,356)	(1,413)	(1,466)	(1,518)
EBITA	1,021	1,509	1,725	1,948	1,860	1,875	2,071	2,192	2,311	2,457	2,563	2,696	2,794
Add: Income tax provision	267	417	470	508	489	496	548	581	615	655	686	725	755
Less: Income from unconsolidated entit	(16)	(5)	(11)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(16)	(17)
Less: Other income - net	(9)	(36)	(14)	(17)	(18)	(20)	(22)	(24)	(27)	(30)	(32)	(36)	(39)
Add: Expenses related to early retireme	7	-	-	-	-	-	-	-	-	-	-	-	-
Total	250	376	446	484	463	467	516	546	576	613	640	673	698
NOPLAT	771	1,132	1,279	1,464	1,397	1,408	1,555	1,646	1,735	1,844	1,923	2,023	2,096
Invested Capital (IC):													
Add: Normal Cash	1,143	1,336	1,300	1,438	1,457	1,469	1,558	1,647	1,735	1,818	1,895	1,965	2,035
Add: Inventory	7,916	8,733	9,058	9,792	9,917	10,004	10,605	11,215	11,815	12,377	12,903	13,378	13,858
Add: AR, prepaid expenses, & other	738	747	691	832	843	850	901	953	1,004	1,052	1,097	1,137	1,178
Add: Customer deposits held in escrow (A	89	136	85	117	119	120	127	135	142	148	155	160	166
Less: Customer deposits (L)	(636)	(681)	(541)	(688)	(697)	(703)	(745)	(788)	(830)	(869)	(906)	(940)	(974)
Less: Accounts Payable	(562)	(619)	(598)	(642)	(650)	(656)	(696)	(735)	(775)	(812)	(846)	(877)	(909)
Less: Accrued expenses	(1,220)	(1,346)	(1,549)	(1,577)	(1,597)	(1,611)	(1,708)	(1,806)	(1,903)	(1,994)	(2,078)	(2,155)	(2,232)
Less: Income taxes payable	(215)	(291)	(166)	(314)	(303)	(307)	(339)	(360)	(380)	(405)	(425)	(448)	(467)
Net Operating Working Capital	7,253	8,015	8,280	8,958	9,088	9,166	9,703	10,260	10,807	11,315	11,794	12,220	12,656
Add: Net Property, construction, & office	310	288	324	390	404	474	497	567	598	670	710	785	832
Invested Capital (IC)	7,563	8,303	8,604	9,348	9,492	9,640	10,200	10,827	11,406	11,985	12,503	13,004	13,488
Free Cash Flow (FCF):													
NOPLAT	771	1,132	1,279	1,464	1,397	1,408	1,555	1,646	1,735	1,844	1,923	2,023	2,096
Change in IC	(186)	740	301	744	144	148	560	627	578	580	518	501	484
FCF	957	392	979	720	1,254	1,260	995	1,019	1,156	1,264	1,406	1,522	1,612
Return on Invested Capital (ROIC):													
NOPLAT	771	1,132	1,279	1,464	1,397	1,408	1,555	1,646	1,735	1,844	1,923	2,023	2,096
Beginning IC	7,750	7,563	8,303	8,604	9,348	9,492	9,640	10,200	10,827	11,406	11,985	12,503	13,004
ROIC	9.95%	14.97%	15.41%	17.01%	14.95%	14.83%	16.13%	16.13%	16.02%	16.17%	16.05%	16.18%	16.12%
Economic Profit (EP):													
Beginning IC	7,750	7,563	8,303	8,604	9,348	9,492	9,640	10,200	10,827	11,406	11,985	12,503	13,004
x (ROIC - WACC)	0.44%	5.46%	5.89%	7.50%	5.44%	5.32%	6.62%	6.62%	6.51%	6.66%	6.54%	6.67%	6.61%
EP	34	413	489	645	508	505	638	676	705	759	783	834	859

Toll Brothers Inc*Weighted Average Cost of Capital (WACC) Estimation***Cost of Equity:**

Risk-Free Rate	4.03%
Beta	1.28
Equity Risk Premium	5.00%
Cost of Equity	10.42%

*ASSUMPTIONS:**10-year US Treasury 10/15/2024**2-year weekly Raw BETA**Henry Fund ERP estimate***Cost of Debt:**

Risk-Free Rate	4.03%
Implied Default Premium	1.46%
Pre-Tax Cost of Debt	5.49%
Marginal Tax Rate	21%
After-Tax Cost of Debt	4.34%

*10-year US Treasury 10/15/2024**FactSet Estimate***Market Value of Common Equity:**

Total Shares Outstanding	110
Current Stock Price	\$148.02
MV of Equity	16,285

MV Weights

85.06%

Market Value of Debt:

Loans Payable	1,164
Senior Notes	1,596
Mortgage Company Loan Facility	100
MV of Total Debt	2,860

14.94%

Market Value of the Firm**19,145.16**

100.00%

Estimated WACC

9.51%

Toll Brothers Inc*Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models*

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	16.12%
WACC	9.51%
Cost of Equity	10.42%

Fiscal Years Ending Oct. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
------------------------------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

DCF Model:

Free Cash Flow (FCF)	720	1,254	1,260	995	1,019	1,156	1,264	1,406	1,522	1,612
Continuing Value (CV)										25,257
PV of FCF	657	1,045	959	692	647	670	669	680	672	11,149

Value of Operating Assets:	17,841
Non-Operating Adjustments	
Less: Loans Payable	(1,164)
Less: Senior Notes	(1,596)
Less: Mortgage Company Loan Facility	(100)
Less: Noncontrolling interest	(16)
Add: Excess Cash	-
Add: Mortgage loans held for sale - at	111
Add: Investments in unconsolidated e	959
Value of Equity	16,035
Shares Outstanding	110
Intrinsic Value of Last FYE	\$ 145.74
Implied Price as of Today	\$ 160.54

EP Model:

Economic Profit (EP)	645	508	505	638	676	705	759	783	834	859
Continuing Value (CV)										12,253
PV of EP	589	424	385	444	429	409	402	379	368	5,409

Total PV of EP	9,237
Invested Capital (last FYE)	8,604
Value of Operating Assets:	17,841
Non-Operating Adjustments	
Less: Loans Payable	(1,164)
Less: Senior Notes	(1,596)
Less: Mortgage Company Loan Facility	(100)
Less: Noncontrolling interest	(16)
Add: Excess Cash	-
Add: Mortgage loans held for sale - at	111
Add: Investments in unconsolidated e	959
Value of Equity	16,035
Shares Outstanding	110
Intrinsic Value of Last FYE	\$ 145.74
Implied Price as of Today	\$ 160.54

Toll Brothers Inc
Relative Valuation Models

Ticker	Company	Price	EPS 2024E	EPS 2025E	P/E 24	P/E 25	Est. 5yr EPS gr.	PEG 24	PEG 25	BV Equity	Tangible BV Equity	P/B	Tangible P/B
TMHC	Taylor Morrison Home	\$67.67	\$8.07	\$8.95	8.39	7.56	8.1	1.04	0.94	45.98	42.85	1.47	1.58
KBH	KB Home	\$80.75	\$8.41	\$9.30	9.60	8.68	6.4	1.50	1.36	47.13	47.32	1.71	1.71
MTH	Meritage Homes	\$194.82	\$21.01	\$21.96	9.27	8.87	21.0	0.44	0.42	125.68	125.68	1.55	1.55
PHM	PulteGroup	\$139.39	\$13.35	\$13.63	10.44	10.23	8.0	1.31	1.28	47.85	47.85	2.91	2.91
			Average		9.43	8.84	1.07		1.00			1.91	1.94
TOL	Toll Brothers Inc	\$148.02	14.68	14.74	10.1	10.0	7.1	1.4	1.4	65.49	62.71	2.26	2.36

Implied Relative Value:

P/E (EPS24)	\$ 138.33
P/E (EPS25)	\$ 130.28
PEG (EPS24)	\$ 112.38
PEG (EPS25)	\$ 105.22
P/B	\$ 125.22
P/Tangible BV	\$ 121.48

Toll Brothers Inc*Dividend Discount Model (DDM) or Fundamental P/E Valuation Model*

<i>Fiscal Years Ending</i>	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
----------------------------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

EPS	\$	14.68	\$	14.74	\$	15.50	\$	17.69	\$	19.34	\$	21.02	\$	22.98	\$	24.65	\$	26.59	\$	28.26
-----	----	-------	----	-------	----	-------	----	-------	----	-------	----	-------	----	-------	----	-------	----	-------	----	-------

Key Assumptions

CV growth of EPS	2.50%
CV Year ROE	18.78%
Cost of Equity	10.42%

Future Cash Flows

P/E Multiple (CV Year)																				10.95
EPS (CV Year)																				\$ 28.26
Future Stock Price																				\$ 309.38
Dividends Per Share	0.90	0.93	0.94	1.21	1.32	1.43	1.57	1.68	1.81											
Discounted Cash Flows	0.82	0.76	0.70	0.81	0.80	0.79	0.78	0.76	0.74											126.78

Intrinsic Value as of Last FYE	\$	133.75
--------------------------------	----	--------

Implied Price as of Today	\$	147.33
----------------------------------	-----------	---------------

Toll Brothers Inc
Sensitivity Tables

Beta	DCF		Risk-Free Rate					
	160.54	3.73%	3.83%	3.93%	4.03%	4.13%	4.23%	4.33%
	1.13	187.24	184.34	181.52	178.77	176.10	173.49	170.96
	1.18	180.14	177.43	174.79	172.22	169.71	167.27	164.90
	1.23	173.49	170.96	168.49	166.08	163.73	161.44	159.20
	1.28	167.52	165.13	162.81	160.54	158.32	156.16	154.06
	1.33	161.44	159.20	157.02	154.89	152.81	150.78	148.80
	1.38	155.95	153.85	151.79	149.79	147.83	145.91	144.03
	1.43	150.78	148.80	146.86	144.97	143.11	141.30	139.53

ERP	DCF		Pre-Tax Cost of Debt					
	160.54	5.19%	5.29%	5.39%	5.49%	5.59%	5.69%	5.79%
	4.70%	170.65	170.28	169.91	169.55	169.19	168.83	168.47
	4.80%	167.51	167.16	166.80	166.45	166.10	165.75	165.40
	4.90%	164.47	164.13	163.79	163.45	163.11	162.77	162.43
	5.00%	161.53	161.20	160.87	160.54	160.21	159.88	159.55
	5.10%	158.69	158.36	158.04	157.72	157.40	157.08	156.76
	5.20%	155.92	155.61	155.30	154.99	154.68	154.37	154.06
	5.30%	153.25	152.94	152.64	152.34	152.03	151.73	151.43

Cost of Equity	DDM		CV Growth of EPS					
	147.33	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%
	9.82%	163.37	164.49	165.64	166.82	168.03	169.27	170.55
	10.02%	156.78	157.80	158.85	159.92	161.03	162.16	163.33
	10.22%	150.57	151.51	152.46	153.44	154.45	155.48	156.54
	10.42%	144.71	145.56	146.44	147.33	148.25	149.19	150.15
	10.62%	139.17	139.95	140.75	141.57	142.40	143.26	144.14
	10.82%	133.93	134.64	135.37	136.12	136.88	137.67	138.47
	11.02%	128.97	129.62	130.29	130.97	131.67	132.38	133.12

WACC	DCF		CV Growth of NOPLAT					
	160.54	2.20%	2.30%	2.40%	2.50%	2.60%	2.70%	2.80%
	9.21%	166.77	167.61	168.47	169.36	170.28	171.23	172.20
	9.31%	163.88	164.68	165.50	166.35	167.22	168.11	169.04
	9.41%	161.08	161.83	162.61	163.42	164.24	165.09	165.97
	9.51%	158.32	159.04	159.78	160.54	161.32	162.13	162.96
	9.61%	155.70	156.39	157.09	157.81	158.56	159.32	160.11
	9.71%	153.12	153.77	154.44	155.13	155.84	156.56	157.31
	9.81%	150.62	151.23	151.87	152.52	153.19	153.88	154.59

Toll Brothers Inc*Present Value of Operating Lease Obligations*

Fiscal Years Ending Oct. 31	2019	2020
Year 1	15.4	19.9
Year 2	12.6	18.1
Year 3	10.1	15.6
Year 4	7.8	13.1
Year 5	6.7	9.5
Thereafter	218.2	204.5
Total Minimum Payments	270.8	280.7
Less: Cumulative Interest	147.8	123.9
PV of Minimum Payments	123.0	156.8

Implied Interest in Year 1 Payment **6.8**

Pre-Tax Cost of Debt	5.49%	5.49%
Years Implied by Year 6 Payment	32.6	21.5
Expected Obligation in Year 6 & Beyond	6.7	9.5

Present Value of Lease Payments

PV of Year 1	14.6	18.9
PV of Year 2	11.3	16.3
PV of Year 3	8.6	13.3
PV of Year 4	6.3	10.6
PV of Year 5	5.1	7.3
PV of 6 & beyond	77.0	90.5
Capitalized PV of Payments	123.0	156.8

Toll Brothers Inc

Effects of Share Repurchases on Common Stock Account and Number of Shares Outstanding

Fiscal Years Ending Oct. 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Share Repurchases (\$)	614	716	656	633	612	600	600	600	600	600
Expected Price of Repurchased Shares:	\$ 148.02	\$ 163.44	\$ 180.47	\$ 199.28	\$ 220.04	\$ 242.97	\$ 268.29	\$ 296.25	\$ 327.12	\$ 361.20
Number of Shares Repurchased:	4	4	4	3	3	2	2	2	2	2
Shares Outstanding (beginning of the year)	110	106	101	98	95	92	89	87	85	83
Less: Shares Repurchased in Treasury	4	4	4	3	3	2	2	2	2	2
Shares Outstanding (end of the year)	106	101	98	95	92	89	87	85	83	82