Returns-Focused Growth Plan Update

November 14, 2018

Forward-Looking Statements

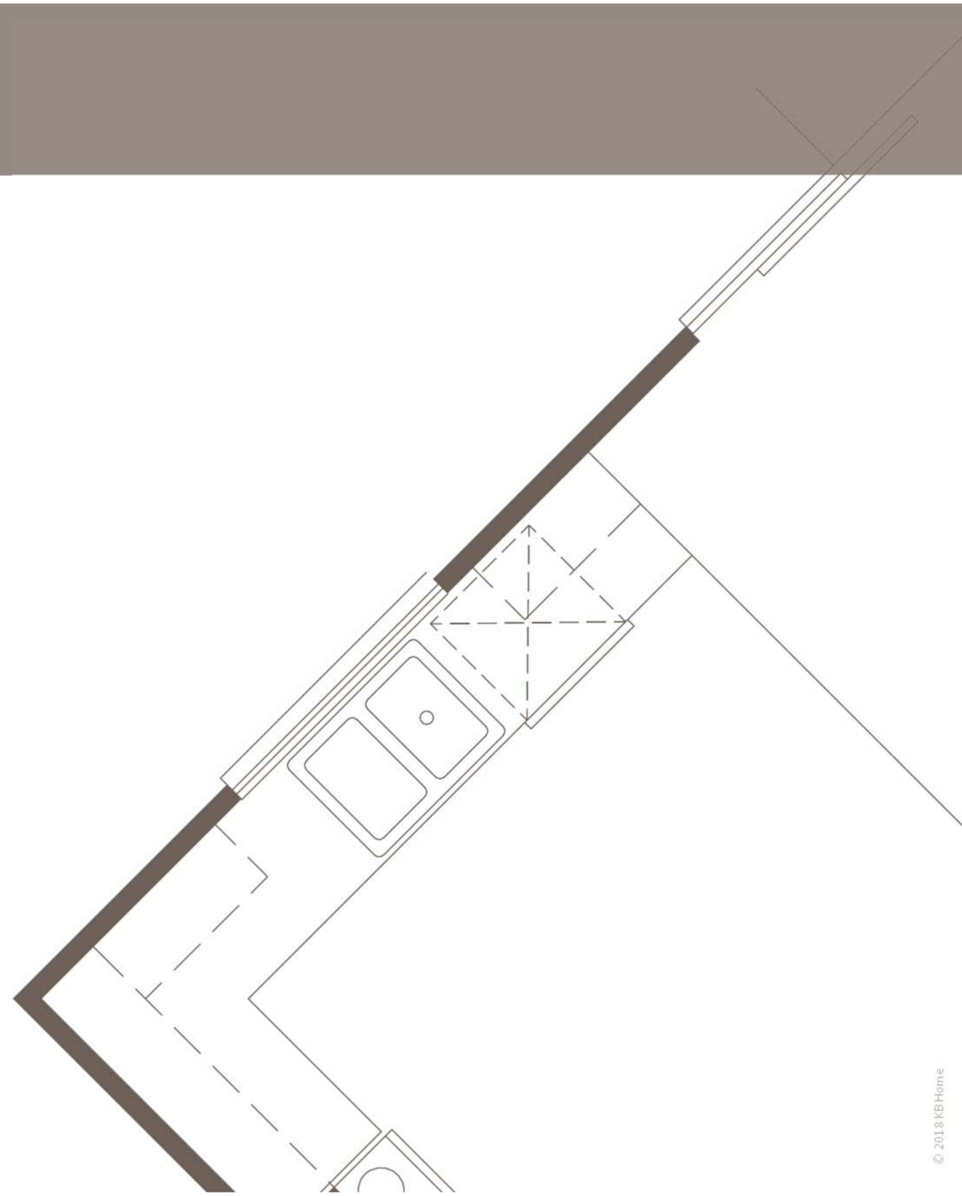
Items in this presentation and the presentations made as part of KB Home's Returns-Focused Growth Plan update conference call, and statements by KB Home management in relation to these presentations or otherwise, may be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect management's views and expectations as of the date made of market conditions, future events and our business performance. These forward-looking statements are not guarantees of future results, and we do not undertake any obligation to update them. Our actual results could be materially different from those expressed, forecasted and/or implied by the forward-looking statements due to a number of factors, including, but not limited to: general economic, employment, market and business conditions; population growth, household formations and demographic trends; conditions in the capital, credit and financial markets; our ability to access external financing sources and raise capital through the issuance of common stock, debt or other securities, on favorable terms; material and trade costs and availability; changes in interest rates; our debt level, including our ratio of debt to capital, and our ability to adjust our debt level and maturity schedule; our compliance with the terms of our revolving credit facility; volatility in and the level of the market price of our common stock; weak or declining consumer confidence, either generally or specifically with respect to purchasing homes; competition from other sellers of new and resale homes; changes in existing tax laws or enacted corporate income tax rates, including those resulting from regulatory guidance and interpretations issued with respect to the Tax Cuts and Jobs Act; changes in U.S. trade policies, including the imposition and/or raising of tariffs and duties on homebuilding materials and products, and related retaliatory measures taken by other countries; the availability and cost of land in desirable areas; our ability to use/realize the net deferred tax assets we have generated; our ability to successfully implement our current and planned strategies and initiatives related to our product, geographic and market positioning, gaining share and scale in our served markets and in entering into new markets; consumer interest in our new home communities and products, particularly from first-time homebuyers and higher-income consumers; our ability to generate orders and convert our backlog of orders to home deliveries and revenues, particularly in key markets in California; our ability to successfully implement our returns-focused growth strategy and achieve the associated revenue, margin, profitability, cash flow, community reactivation, land sales, business growth, asset monetization and efficiency, return on invested capital, return on equity, net debt to capital ratio and other financial and operational targets and objectives; the ability of our homebuyers to obtain residential mortgage loans and mortgage banking services; the performance of mortgage lenders to our homebuyers; the performance of KBHS Home Loans, LLC, our mortgage banking joint venture with Stearns Lending, LLC; and events outside of our control. Please see our periodic reports and other filings with the Securities and Exchange Commission (which are available on our website at investor.kbhome.com and on the SEC's website at sec.gov) for a further discussion of these factors, and other risks and uncertainties applicable to our business.

Jeff Mezger

Chairman, President & Chief Executive Officer

KB Home: A Compelling Story

- Multiple factors support the housing market longer-term—solid consumer confidence, high employment, growing wages and increasing household formation—along with a multi-year underproduction of new homes
- KBH is well positioned to continue capturing demand from first-time and first move-up buyers (~75% of our annual deliveries for the last 10+ years)
- Built-to-Order model provides flexibility to move with demand and limits inventory risk
- Company-specific factors – lower interest amortization and reduced headwind from reactivated communities – should benefit our future gross profit margin
- On track to achieve – **or already achieved** – Returns-Focused Growth Plan 2019 targets



Significant Progress Since Launching Our Returns-Focused Growth Plan

($ in millions except EPS and BVPS)

	2016		LTM Q3 2018	Improvement
Deliveries	9,829	→	11,268	15%
Housing Revenues	$3,576	→	$4,569	28%
HB Operating Income	$152	→	$356	134%
Pretax Income	$149	→	$376	152%
Diluted EPS	$1.12	→	$2.68*	139%
Stockholders' Equity	$1,723	→	$2,016	17%
Book Value per Share	$20.25	→	$22.81	13%
Notes Payable	$2,640	→	$2,063	22%
Net Debt to Capital**	54.3%	→	45.9%	8.4 pps

* Excludes the impact of the 2018 first quarter non-cash charge of $111.2 million due to the Tax Cuts and Jobs Act, including the accounting re-measurement of the Company's deferred tax assets based on the reduction of the federal corporate income tax rate from 35% to 21%. See Appendix: Pro Forma LTM Q3 2018 EPS.

** See Appendix: Reconciliation of Non-GAAP Financial Measures

Returns-Focused Growth Plan

Growing Our Business While Increasing Returns

Execute KB2020 – Our Core Business Strategy
- Increase scale, expand market share primarily in existing footprint
- Improve profitability per unit and operating income margin

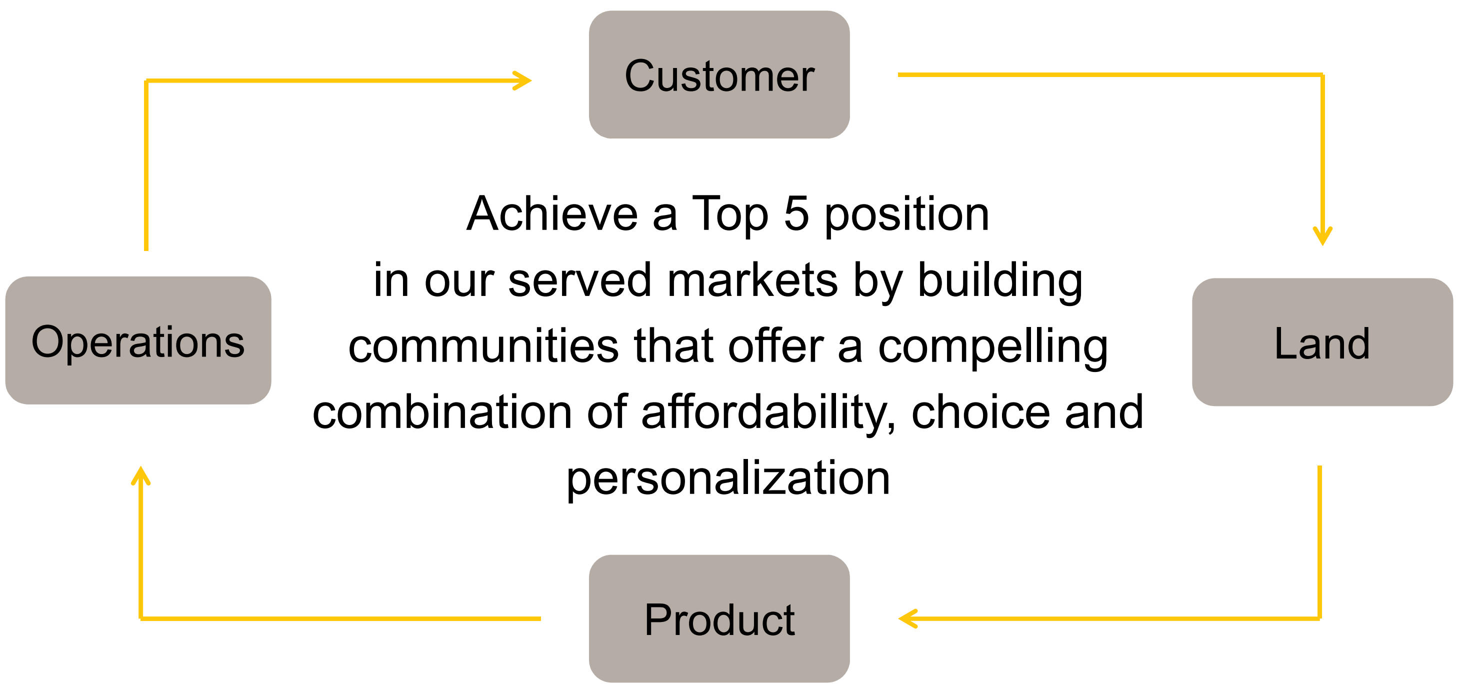
Monetize Deferred Tax Asset
- Accelerate utilization of DTA as pretax income continues to grow

Improve Asset Efficiency
- Improve absorption per community
- Improve inventory turns
- Continue reactivating communities
- Sell non-core assets
- Deploy excess cash

Original Three-Year 2019 Targets
- Accelerate earnings through revenue growth to over $5 billion and expansion of operating income margin* to 8% – 9%
- ROIC in excess of 10%
- ROE of 10% to 15%
- Net debt to capital ratio of 40% to 50%

* Defined as homebuilding operating income margin, excluding inventory-related charges

KB2020 – Our Core Business Strategy



Solid Foundation Supporting Strategy

Customer

- Continue targeting first-time and first move-up buyers (~75% of our annual deliveries for the last 10+ years)
- Offer products that are affordably priced for the median household income of the submarket
- Offer a distinctive 'customer-first' experience, building relationships with customers and providing a high level of satisfaction from sale to delivery

Land

- Invest in land positions within prime growth submarkets that provide a 1-2 year supply of land/lots per community
- Committed to growing primarily in existing geographic footprint – potential for significant upside
- Focus on individual assets generally offering 50-200 lots

Product

- Design products to maximize value to the customer
- Leverage product series across regions/divisions
- Create a base product with a standardized set of functions and features at a competitive price per square foot
- Provide choice, enabling the customer to select lot, floor plan and elevation, then leverage the KB Home Design Studio for interior personalization

Operations

- Drive efficient, low-cost production through disciplined and scalable operations using a built-to-order (BTO) model
- Significant advantages of BTO:
  - Provides efficiencies in managing to an even-flow production process
  - Reinforces our preferred position with subcontractors
  - Minimizes speculative inventory and margin variability
  - Provides greater predictability on deliveries

Advantages of Built-to-Order Model

Buyers Want Choice

- Buyers select their lot, floor plan and elevation, and utilize our design studio for personalization – they pay for what they want
- Buyers' ability to choose what they value drives higher absorption

Selling First, then Building

- Majority of our homes are sold when started, resulting in a limited level of spec inventory
- Delivering from backlog provides better visibility to deliveries and revenues, and less variability to gross margin
- Provides efficiencies in an even-flow production process and reinforces our positioning with subcontractors

Moving with Demand

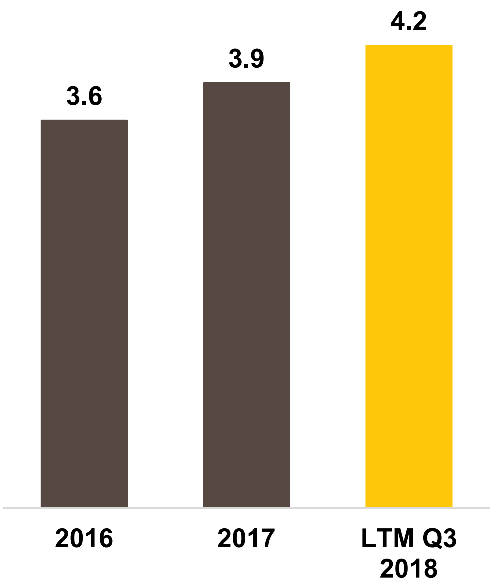
- Repositioning communities by rotating square footage and spec levels of models to meet buyers' needs/preferences
- With a focus on affordability, this rotation allows us to lower base prices

Positioning New Communities for Affordability

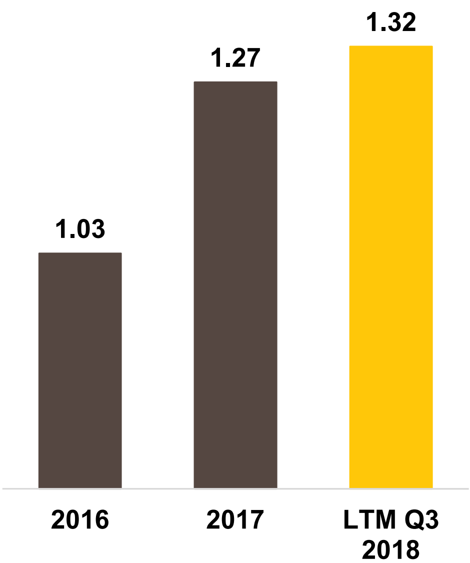
Division	Community	Square Feet	# of Lots
Los Angeles/ Ventura	Edgemont	1,519 – 1,830	62
Inland Empire	Falcon Ridge	1,698 – 2,899	96
	Westpark	1,557 – 2,028	64
	Willowmore	2,280 – 2,479	60
Bay Area	Element	1,554 – 1,961	50
Las Vegas	Centennial Ranch	1,589 – 3,059	24
	Reserves at Amizade	1,589 – 3,059	62
Austin	Sunset Hills	1,491 – 3,475	210
Orlando	Lake Minneola	1,707 – 3,530	69

Built-to-Order Drives High Absorption Rates

Increase in Inventory Turns Contributes to Higher Returns



Net Orders per Community per Month



Inventory Turns*

* Defined as housing revenues divided by average inventory

Delivering on Our Three-Year Goals

	2016	2017	2018 Guidance	Original 2019 Targets
Housing Revenues	$3.6 billion	$4.3 billion	$4.5 billion**	> $5 billion
HB Operating Income Margin*	5.7%	7.1%	8.1%	8% - 9%
Return on Invested Capital*	5.2%	7.4%	10.4%	> 10%
Return on Equity*	6.3%	10.0%	14.3%	10% - 15%
Net Debt to Capital*	54.3%	45.4%	< 45.0%	40% - 50%

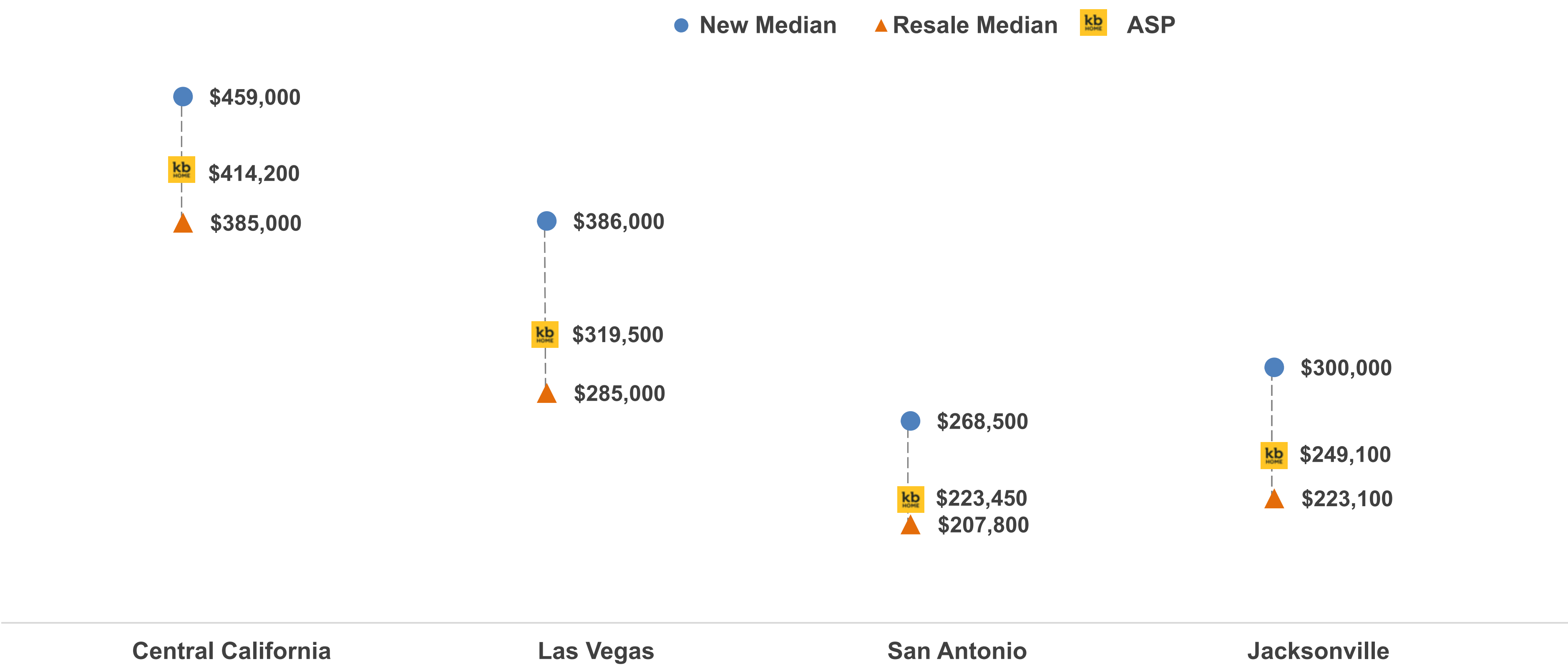
* See Appendix for detailed ROIC and ROE calculations, and reconciliation of Non-GAAP Financial Measures
** Calculated based on mid-point of Q4 2018 guidance range
Denotes initial achievement of target

Balanced Approach to Capital Allocation

- Generating ample cash, enabling balanced investment in our future growth and reduction of our debt balance
- Focusing on smaller land deal sizes and 1-2 year supply of lots, with an emphasis on improving inventory turns
- Underwriting generally assumes no ASP appreciation or cost inflation
- Continually targeting quality locations and affordable price points. Allows pricing to the median household income of each submarket

	2016	2017	LTM Q3 2018
Land acquisition, development & fees	$1.4 billion	$1.5 billion	$1.8 billion
Land acquisition	$623 million	$730 million	$949 million
Avg. $ per deal	$6.6 million	$6.3 million	$6.0 million
Avg. lots per deal	83	87	105
Cash from operations	$189 million	$513 million	$360 million
Repayment of Senior Notes	-	$265 million	$300 million

Disciplined Land Acquisition Leads to Well Positioned ASPs



Data reflects single-family detached home closings from January 1, 2018 through September 30, 2018. KBH ASP includes base price and lot premiums.
Sources: DataQuick, Zonda

Roadmap to Increase Stockholder Value

Increase Scale	Enhance Profitability	Strengthen Cash Flow	Achieve 2019 Objectives
Grow community count, optimize ASPs and absorptions	Drive higher profitability per unit	Generate higher cash flow from operations	ROIC of 10%+, ROE of 10% to 15%
Deliver 10% to 15% housing revenue growth	Expand homebuilding operating income margin	Accelerate use of DTA, improve asset efficiency, deploy excess cash	Net debt to capital of 35% to 45% (previously 40% to 50%)

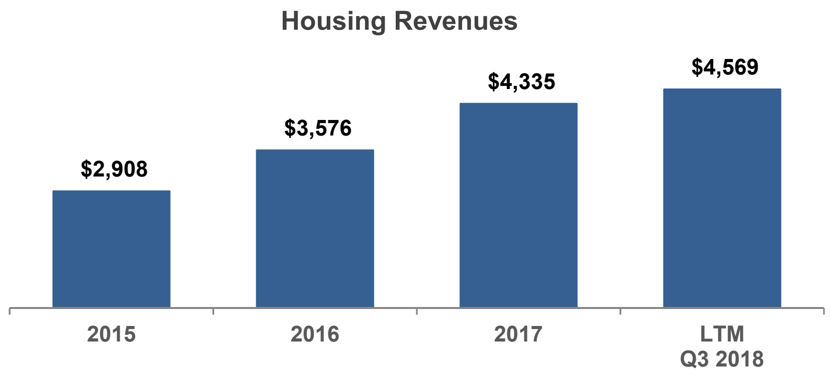
Jeff Kaminski

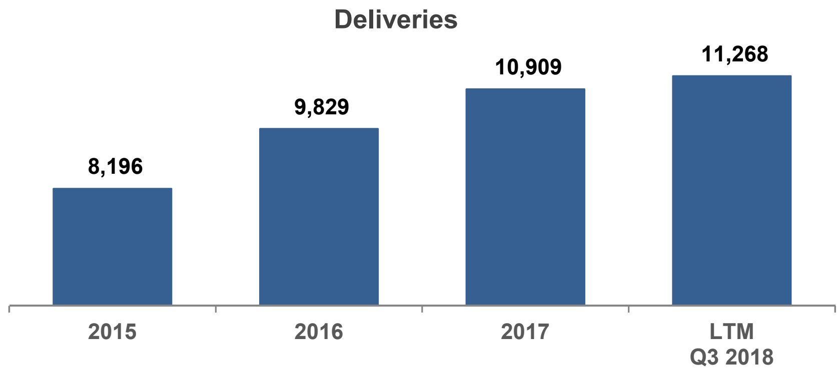
Executive Vice President &
Chief Financial Officer

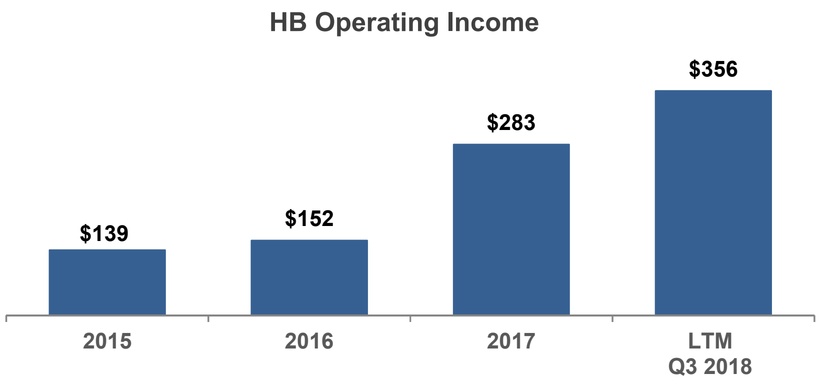
Key Profitability Metrics

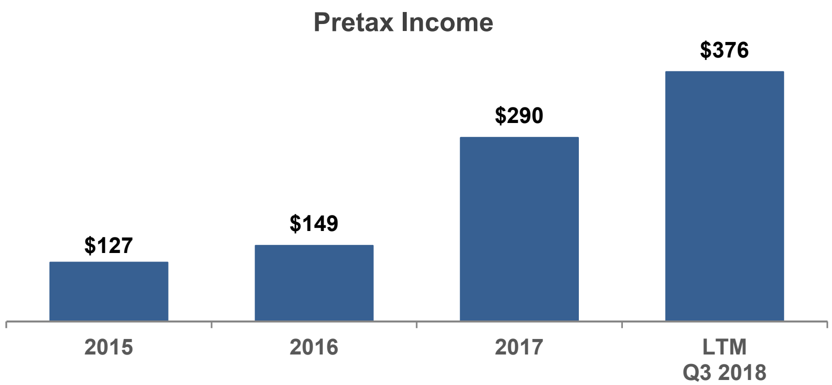
($ in millions)

Significant Improvement in Profitability-Related Metrics









Converting Assets to Productive Status

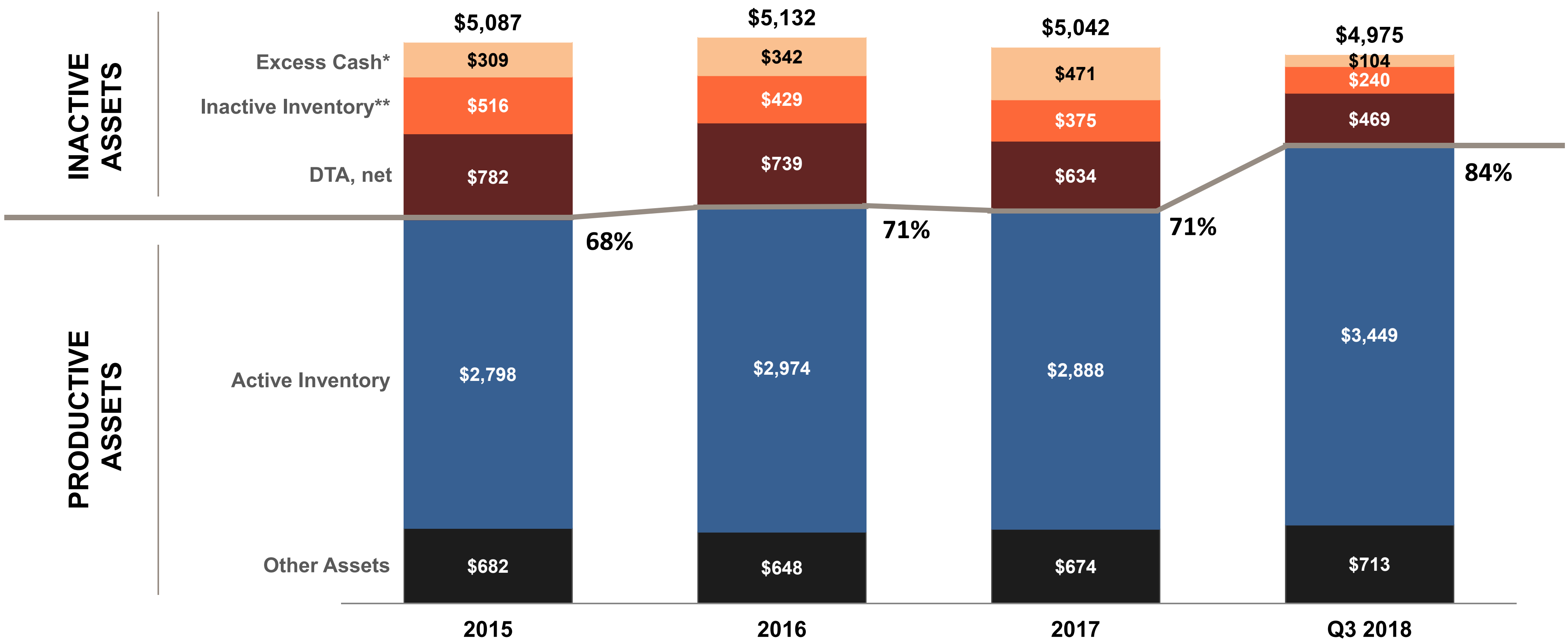
Improve Asset Efficiency and Monetize Deferred Tax Asset

Primary focus is on four significant asset categories:

1. **Active Inventory:** manage communities to optimal absorption pace/price and optimize land acquisition deal structure and development phasing/investment
2. **Inactive Inventory**: continue community reactivations and complete sales of non-core assets
3. **Deferred Tax Asset**: accelerate utilization through growth in pretax earnings
4. **Cash**: utilize improved operating cash flow and expanded revolver capacity to support future reduction of excess cash balance

Improving Mix of Productive Assets

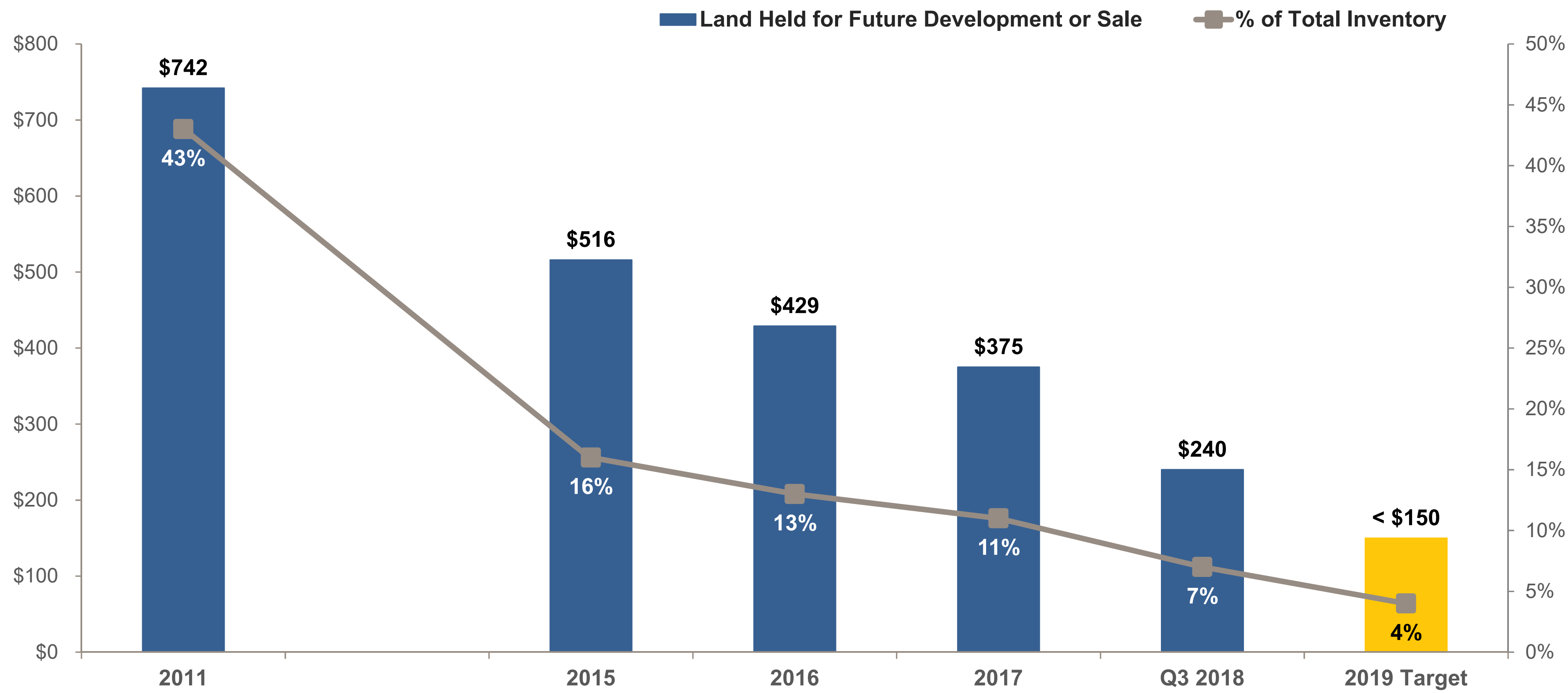
($ in millions)



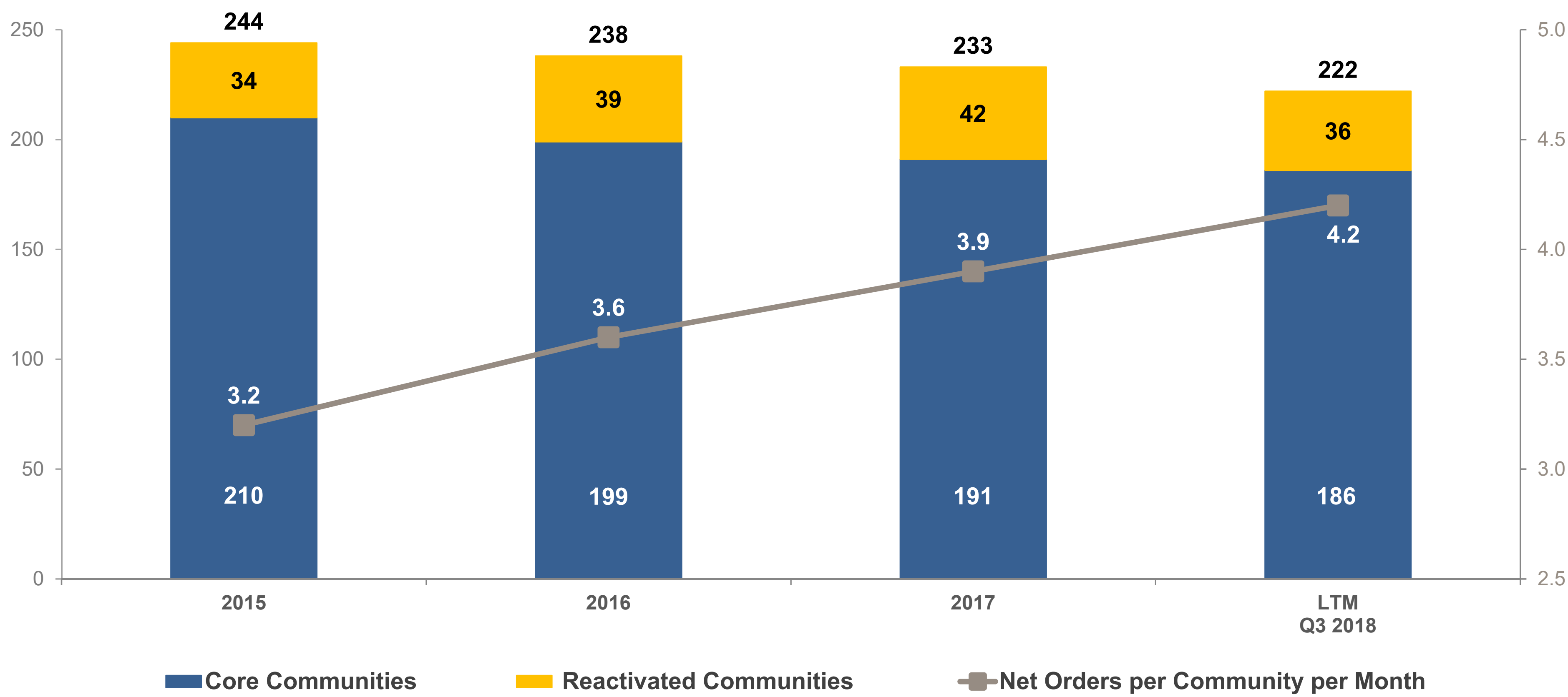
* Represents unrestricted cash in excess of $250 million ** Represents inventory categorized as "Land Held for Future Development or Sale"

Inactive Inventory

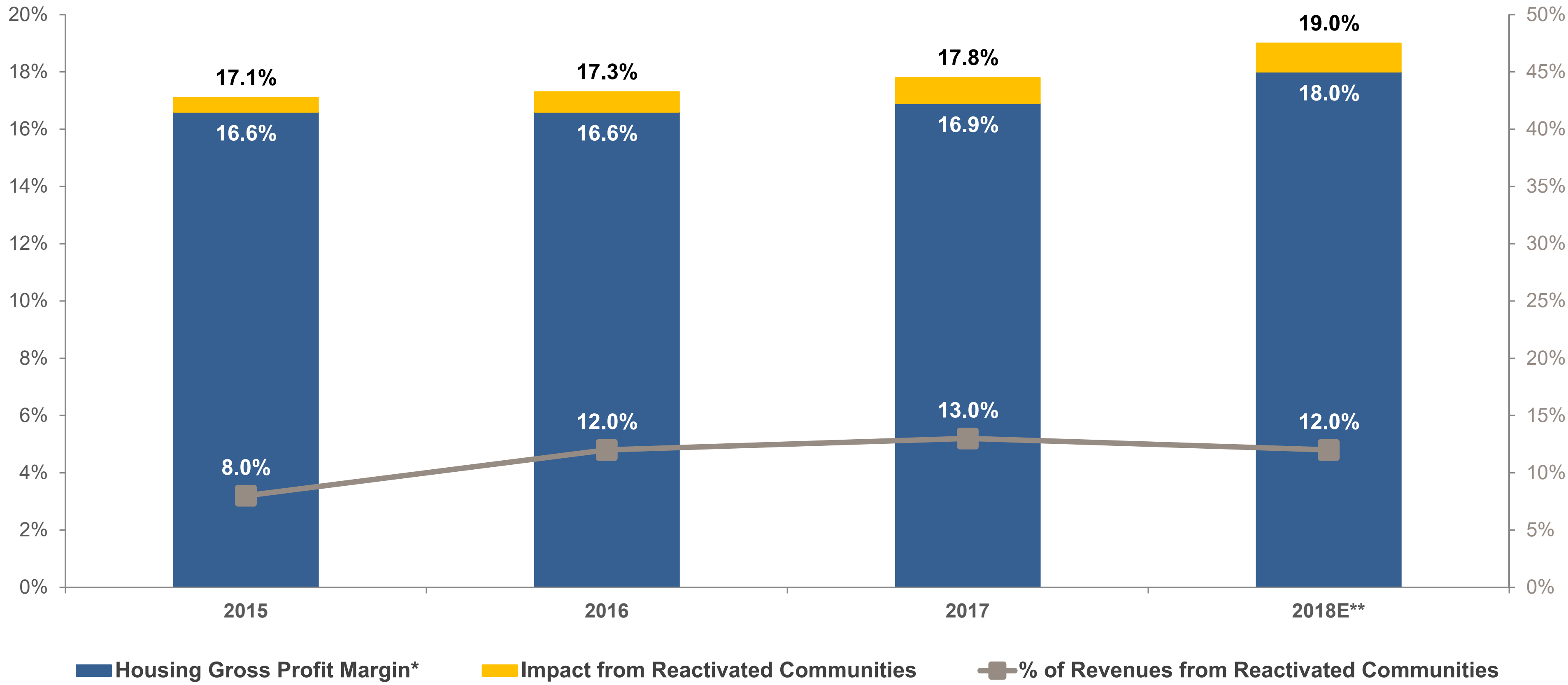
($ in millions)



Average Community Count



Housing Gross Profit Margin* and Mix of Deliveries



* Excludes inventory-related charges
See Appendix: Reconciliation of Non-GAAP Financial Measures
** Calculated based on mid-point of Q4 2018 guidance ranges

Capital Structure Summary

Objectives

- Support **growth in community count and housing revenues**
- **Reduce debt**, thereby lowering future capitalized interest amortization and driving gross margin improvements
- Achieve and maintain **new net debt to capital ratio target of 35% to 45%**

Achievements

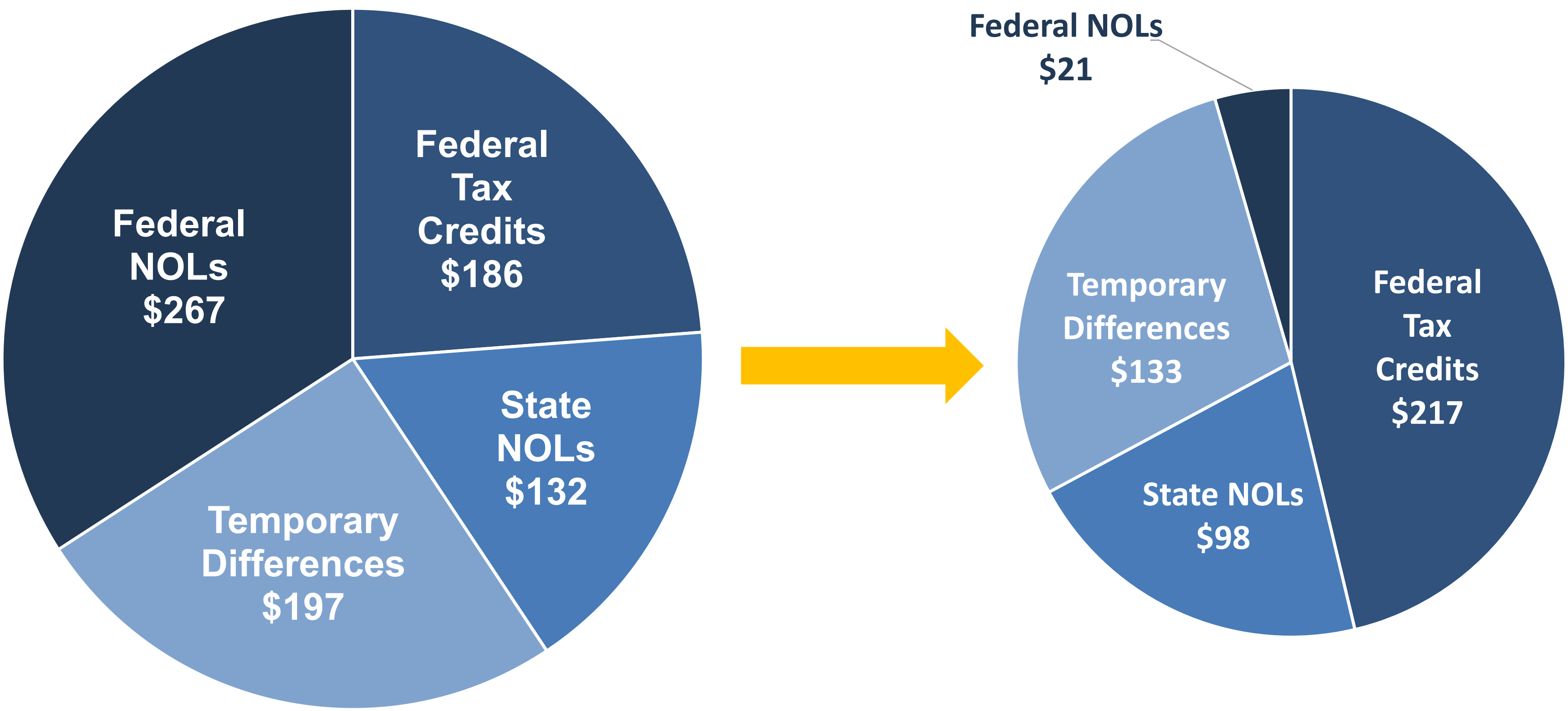
- **Upsized unsecured revolving credit facility** to $500 million (Q3 2017), enhancing our total liquidity position
- **Retired all debt maturities in 2017 and 2018**: $265 million of 9.1% Senior Notes and $300 million of 7.25% Senior Notes
- **Achieved our original net debt to capital ratio target** of 40% to 50% (Q4 2017)
- **Four rating agency upgrades** since April 2017

Opportunities

- **Next debt reduction opportunities**: $230 million Convertible Senior Notes (maturing February 2019) and $400 million 4.75% Senior Notes (maturing May 2019)
- Ability to achieve a minimum of **$200 million of debt reduction during 2019**

Monetization of Deferred Tax Asset

($ in millions)

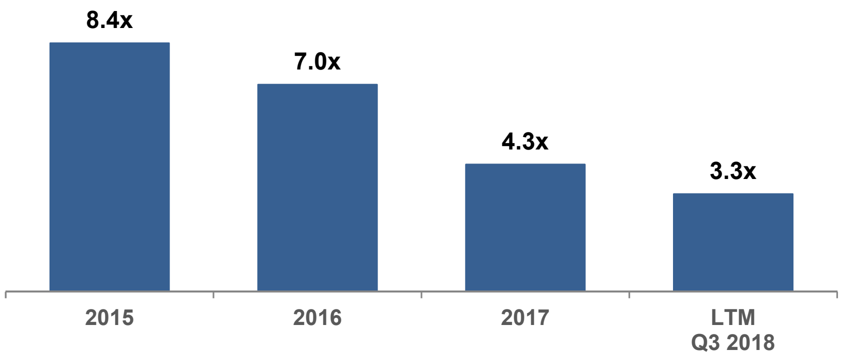


$782
Q4 2015

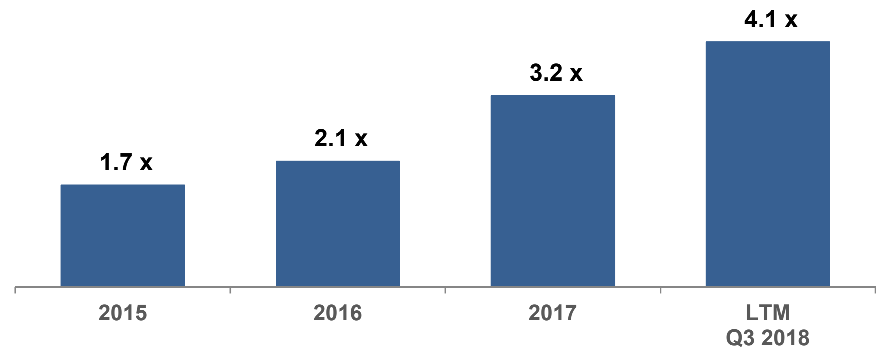
$469
Q3 2018

Steady Improvement in Key Credit Metrics

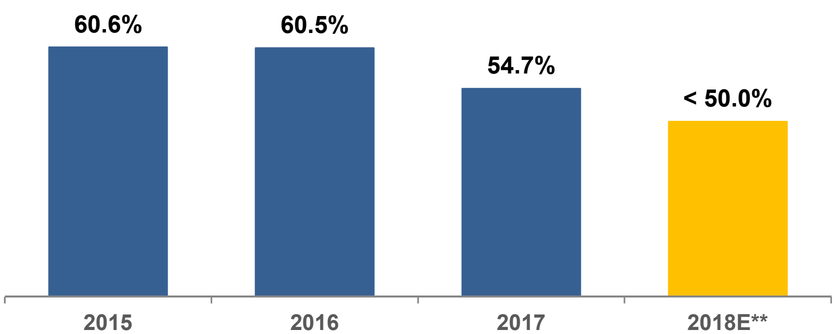
Debt to Adjusted EBITDA Ratio*



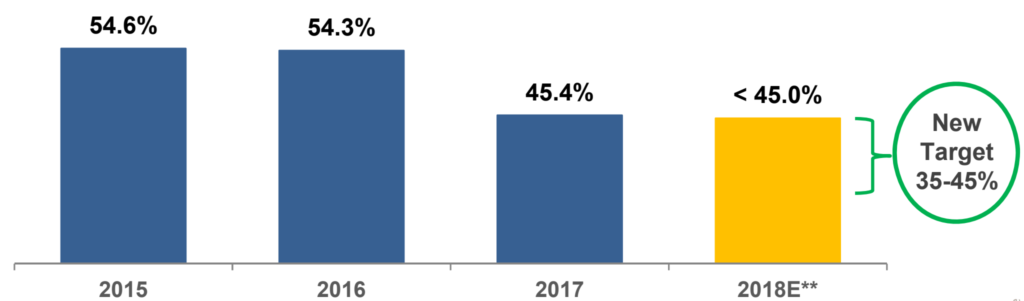
Interest Coverage Ratio*



Debt to Capital***



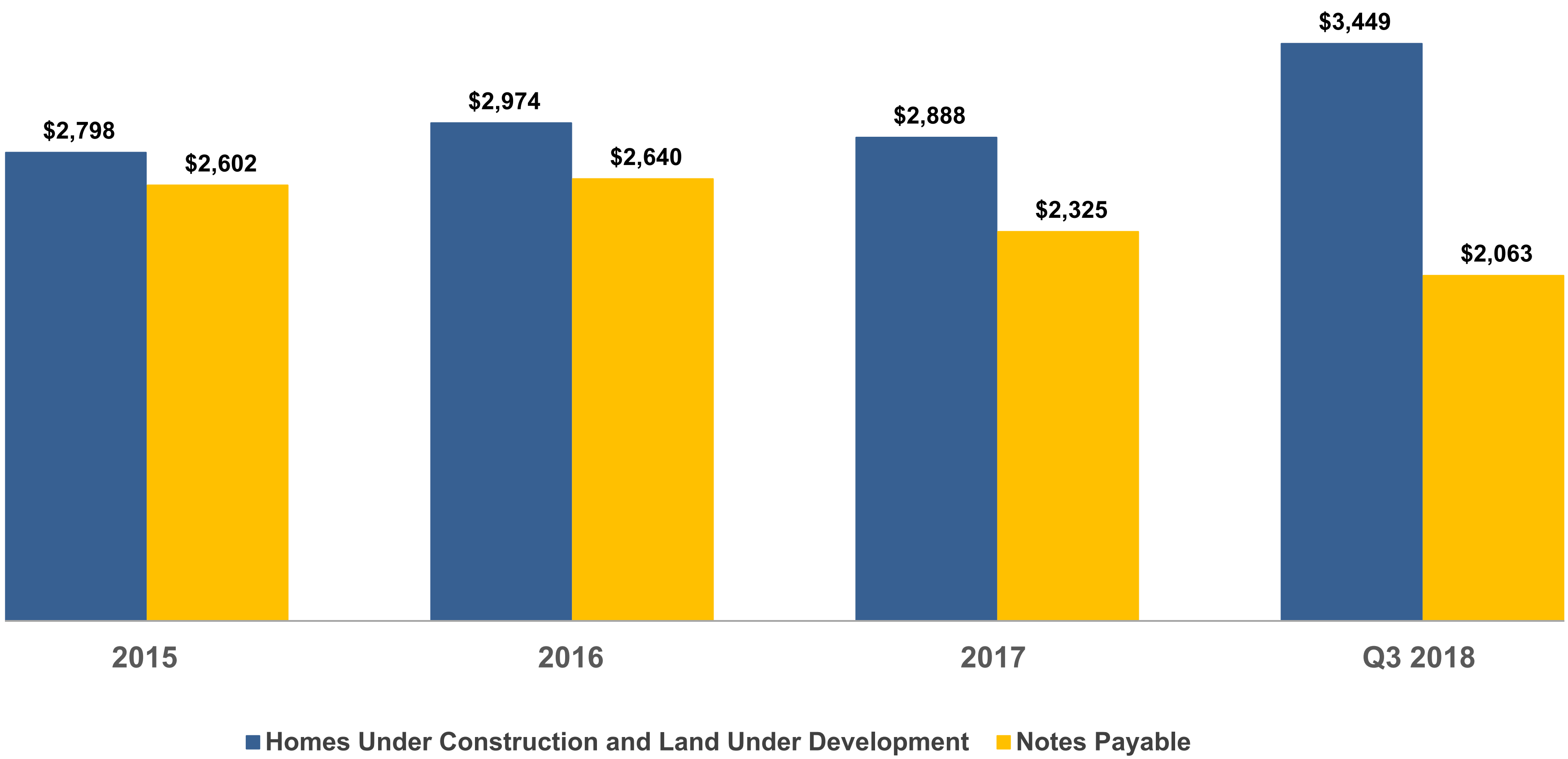
Net Debt to Capital***



* Calculated using the KBH revolving credit facility methodology
** Calculated based on mid-point of Q4 2018 guidance ranges
*** See Appendix: Reconciliation of Non-GAAP Financial Measures

Widening Spread Between Inventory and Total Debt

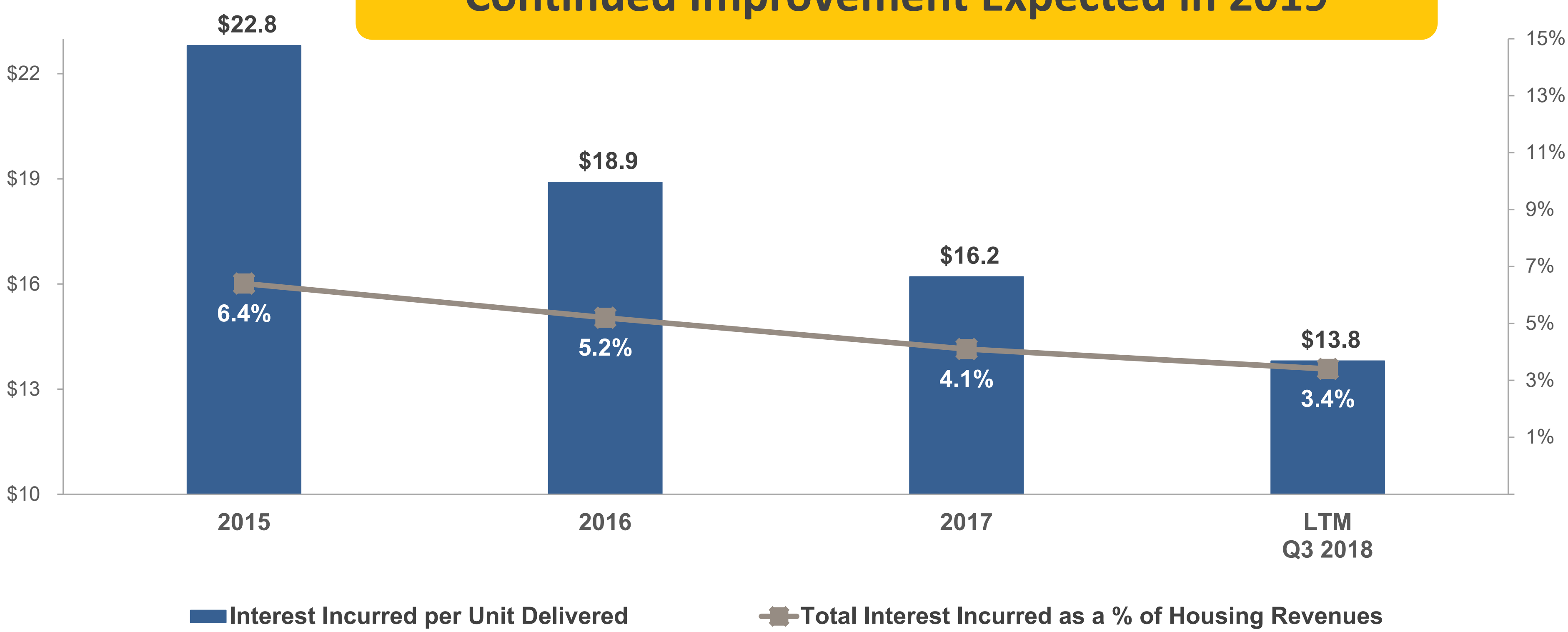
($ in millions)



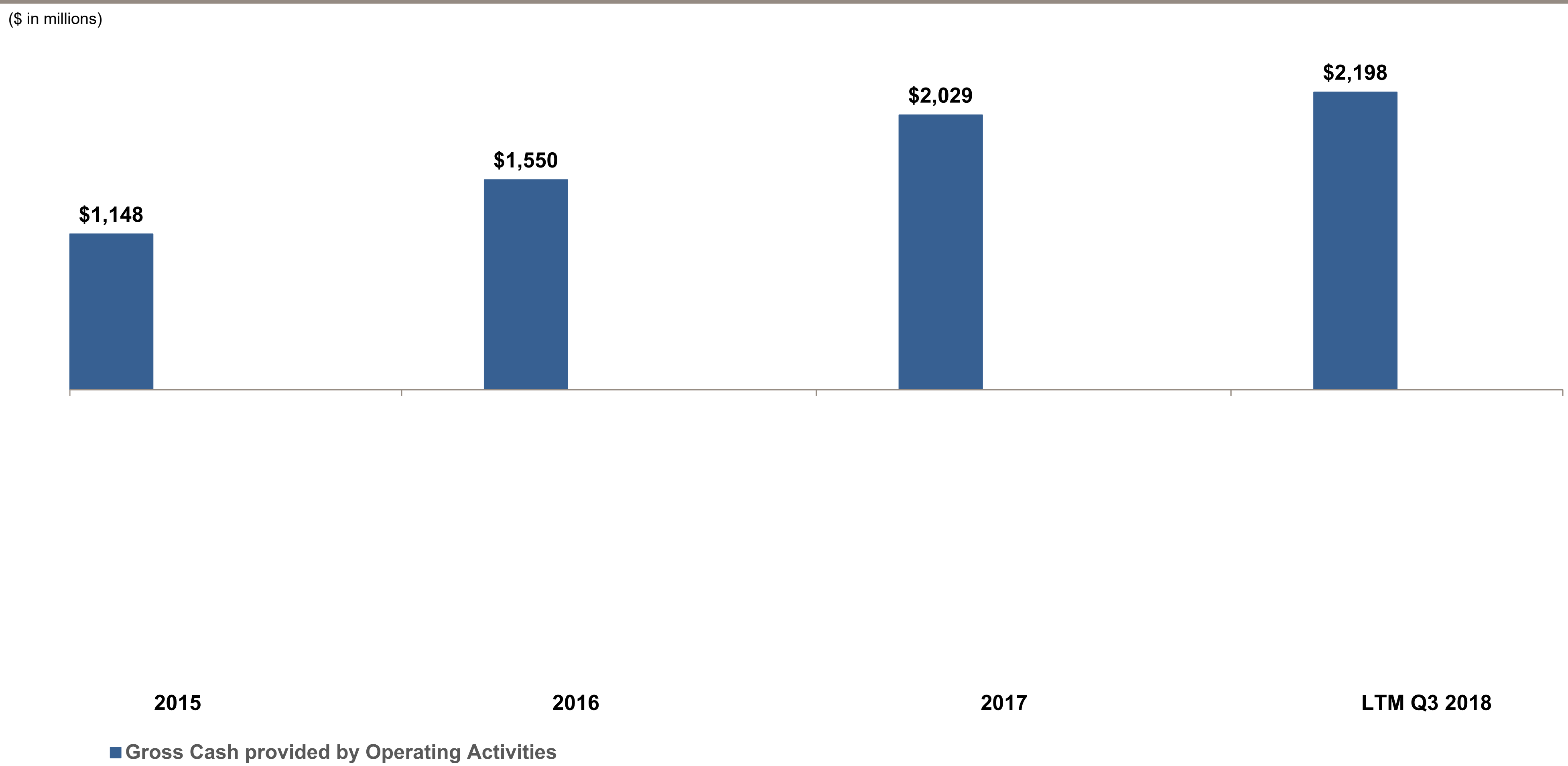
Reducing Interest Incurred per Unit Delivered

($ in thousands)

Continued Improvement Expected in 2019

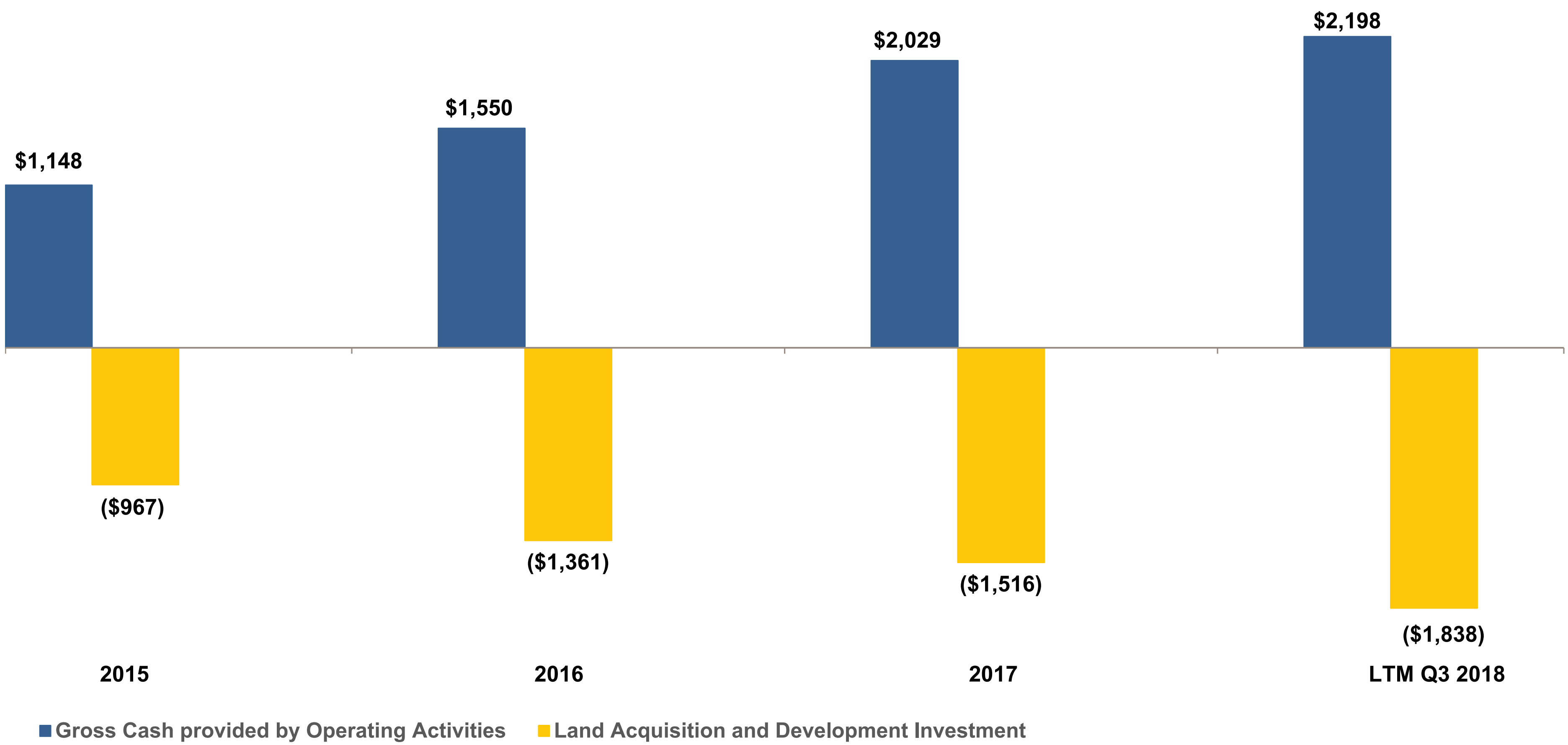


Generating Significant Levels of Gross Operating Cash Flow



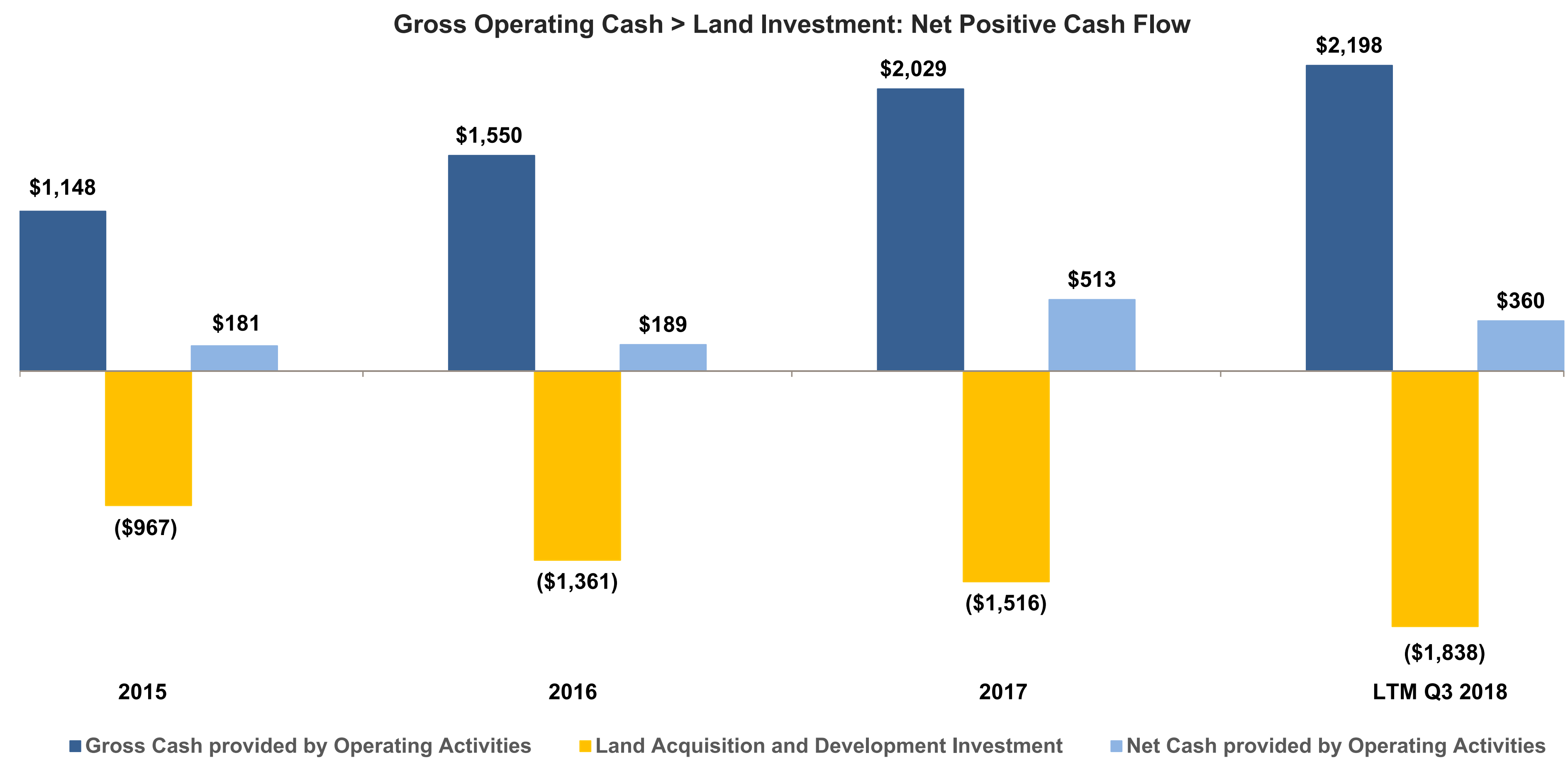
Land Investment Internally Funded Since 2015

($ in millions)



Strong Cash Flow Supports Returns-Focused Growth Plan

($ in millions)



Future Financial Performance Expectations

- Q4 2018 Guidance Update
- Initial Q1 2019 Guidance
- Full Year 2019 Guidance Update
- Returns-Focused Growth Targets and Performance

Q4 2018 Guidance Update

Housing Revenues	$1.31 billion - $1.34 billion
Average Selling Price	$395,000 - $400,000
Housing Gross Profit Margin*	18.3% - 18.6%
SG&A Expense Ratio	8.9% - 9.2%
HB Operating Income Margin*	9.3% - 9.5%
Effective Tax Rate	Approximately 27%
Average Community Count	Approximately flat, year over year
Net Orders QTD Performance (first 10 weeks of Q4)	Down 14%, year over year

* Excluding inventory-related charges, if any

Q1 2019 Guidance

Housing Revenues	$800 million - $860 million
Average Selling Price	$375,000 - $385,000
Housing Gross Profit Margin*	16.0% - 16.6%
SG&A Expense Ratio	11.8% - 12.6%
HB Operating Income Margin*	3.6% - 4.6%
Effective Tax Rate	Approximately 27%
Average Community Count	Up 5% - 9%, year over year

* Excluding inventory-related charges, if any

Full Year 2019 Guidance

Housing Revenues	$4.7 billion - $5.2 billion
Average Selling Price	$390,000 - $400,000
Housing Gross Profit Margin*	17.7% - 18.7%
SG&A Expense Ratio	9.6% - 10.4%
HB Operating Income Margin*	7.7% - 8.7%
Effective Tax Rate	Approximately 27%
Average Community Count	Up 10% - 15%, year over year

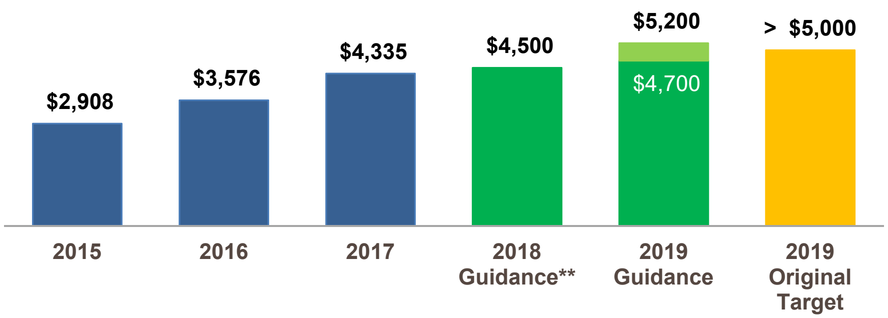
* Excluding inventory-related charges, if any

Key Profitability Metrics

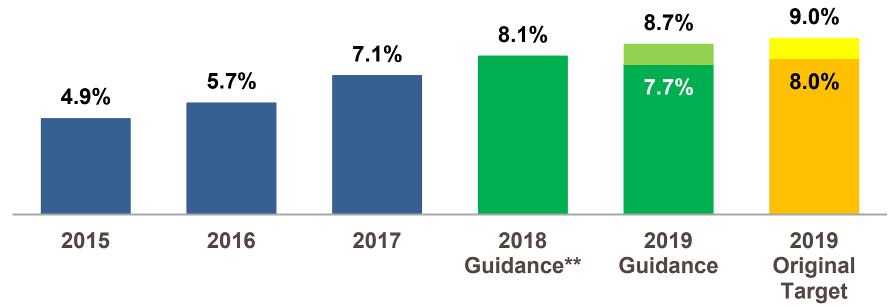
($ in millions)

Achievement of Returns-Focused Growth Plan Targets

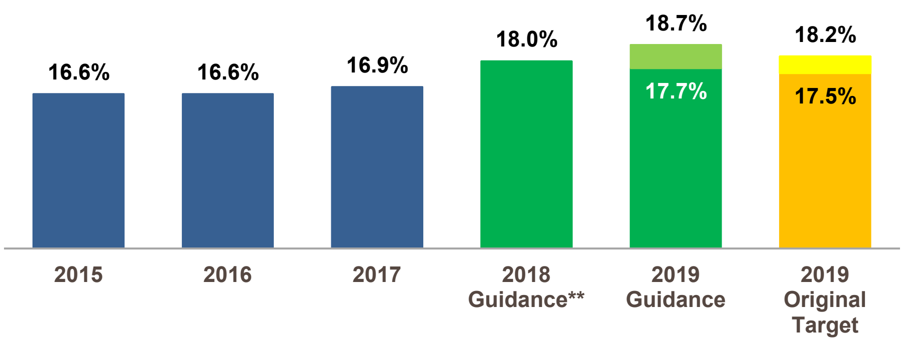
Housing Revenues



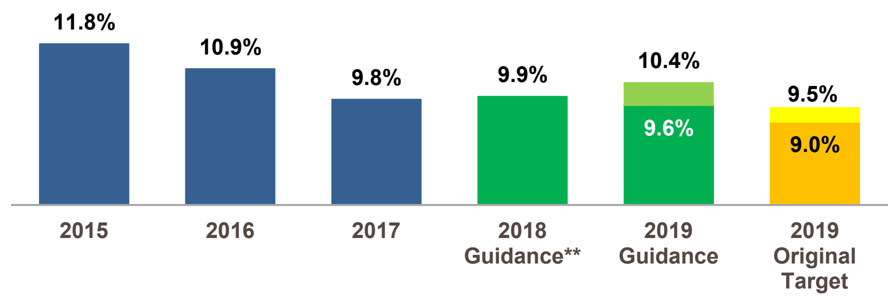
HB Operating Income Margin*



Housing Gross Profit Margin*



SG&A Expense Ratio

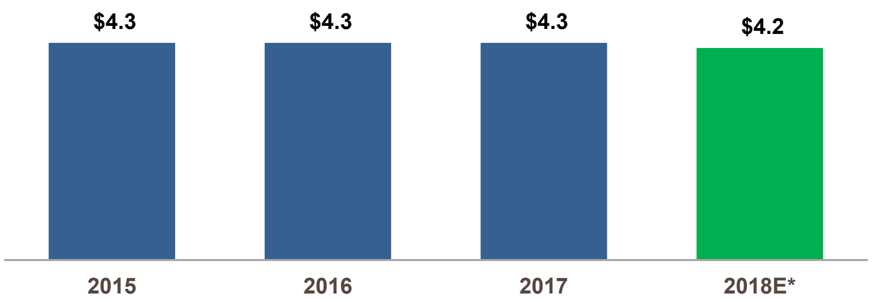


* Excluding inventory-related charges, if any. See Appendix: Reconciliation of Non-GAAP Financial Measures.
** Calculated based on mid-point of Q4 2018 guidance ranges

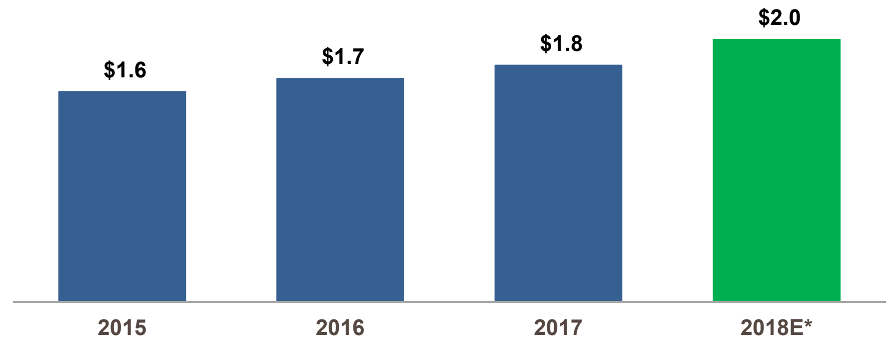
Return Metrics: ROIC & ROE

($ in billions)

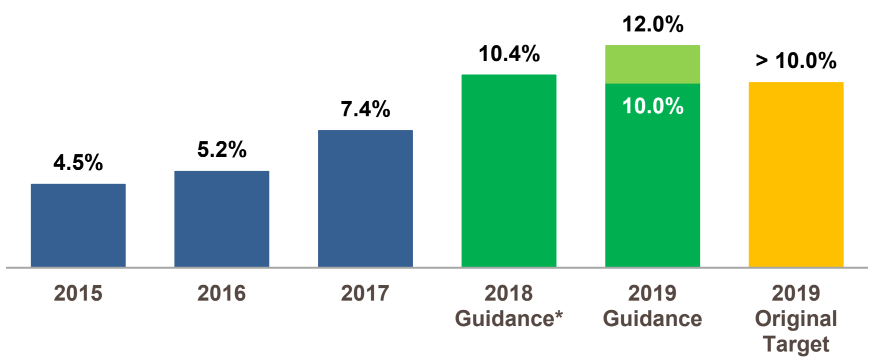
Average Invested Capital



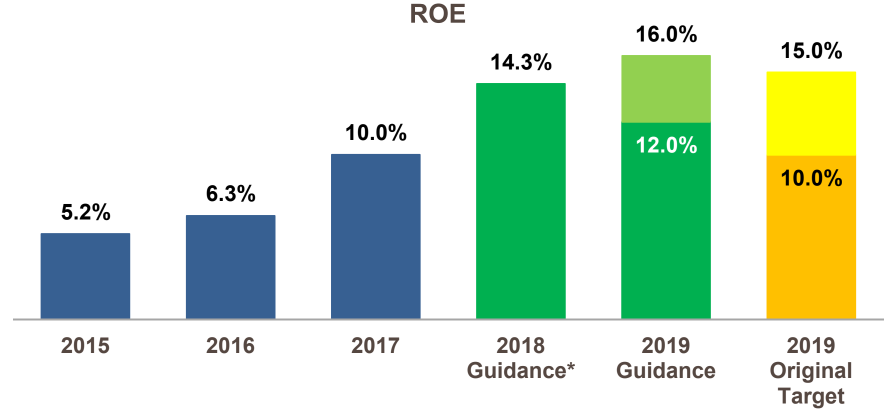
Average Stockholders' Equity



ROIC



ROE



* Calculated based on mid-point of Q4 2018 guidance ranges. Tax rates used exclude the impact of the Q1 2018 TCJA adjustment
See Appendix for detailed ROIC and ROE calculations

Q & A

Appendix

ROIC Calculation Detail

($ in thousands)

Net Operating Profit After Tax	**2015**	**2016**	**2017**
Pretax income	$ 127,043	$ 149,315	$ 289,995
Add: Net interest expense	21,398	5,371	5,067
Add: Interest amortization in construction and land costs	143,255	161,285	215,396
Net operating profit (EBIT)	291,696	315,971	510,458
Income tax expense	(97,400)	(92,500)	(192,500)
Net operating profit after tax	$ 194,296	$ 223,471	$ 317,958

Average Invested Capital (Book Value)			
Notes payable – 5 point average	$ 2,669,421	$ 2,627,689	$ 2,496,389
Stockholders' equity – 5 point average	1,629,475	1,669,731	1,799,849
Average invested capital	$ 4,298,896	$ 4,297,420	$ 4,296,238
Return on invested capital	**4.5%**	**5.2%**	**7.4%**

ROE Calculation Detail

($ in thousands)

Net Income	2015	2016	2017
Pretax income	$ 127,043	$ 149,315	$ 289,995
Income tax expense	(42,400)	(43,700)	(109,400)
Net income	$ 84,643	$ 105,615	$ 180,595
Stockholders' equity – 5 point average	$ 1,629,475	$ 1,669,731	$ 1,799,849
Return on equity	**5.2%**	**6.3%**	**10.0%**

Reconciliation of Non-GAAP Financial Measures

	2015	2016	2017
Housing Gross Profit Margin			
Housing gross profit margin – as reported	16.3%	16.2%	16.3%
Add: Housing inventory-related charges	0.3	0.4	0.6
Housing gross profit margin excluding inventory-related charges	16.6%	16.6%	16.9%
Homebuilding Operating Income Margin			
Homebuilding operating income margin – as reported	4.6%	4.3%	6.5%
Add: Homebuilding inventory-related charges	0.3	1.4	0.6
Homebuilding operating income margin excluding inventory-related charges	4.9%	5.7%	7.1%

The Company believes these non-GAAP financial measures, which assist management in making certain strategic decisions, are relevant and useful to investors in understanding its operations and in providing meaningful period-to-period comparisons, and may be helpful in comparing the Company with other homebuilding companies to the extent they provide similar information.

Reconciliation of Non-GAAP Financial Measures (Continued)

($ in thousands)

	November 30,			August 31,
	2015	2016	2017	2018
Ratio of Debt to Capital				
Notes payable	$ 2,601,754	$ 2,640,149	$ 2,324,845	$ 2,063,127
Stockholders' equity	1,690,834	1,723,145	1,926,311	2,015,949
Total capital	$ 4,292,588	$ 4,363,294	$ 4,251,156	$ 4,079,076
Ratio of debt to capital	60.6%	60.5%	54.7%	50.6%
Ratio of Net Debt to Capital				
Notes payable	$ 2,601,754	$ 2,640,149	$ 2,324,845	$ 2,063,127
Less: Cash and cash equivalents and restricted cash	(568,386)	(592,086)	(720,630)	(354,361)
Net debt	2,033,368	2,048,063	1,604,215	1,708,766
Stockholders' equity	1,690,834	1,723,145	1,926,311	2,015,949
Total capital	$ 3,724,202	$ 3,771,208	$ 3,530,526	$ 3,724,715
Ratio of net debt to capital	54.6%	54.3%	45.4%	45.9%

The Company believes these non-GAAP financial measures, which assist management in making certain decisions, are relevant and useful to investors in understanding its operations and in providing meaningful period-to-period comparisons, and may be helpful in comparing the Company with other homebuilding companies to the extent they provide similar information.

Reconciliation of Non-GAAP Financial Measures (Continued)

($ in thousands, except per unit amounts)

	2016	2017	LTM Q3 2018
Profitability per Unit			
Deliveries	9,829	10,909	11,268
Housing revenues	$ 3,575,548	$ 4,335,205	$ 4,569,120
Housing construction and land costs	(2,997,073)	(3,627,732)	(3,770,789)
Add: Impairments and abandonments	16,152	25,232	27,035
Adjusted housing construction and land costs	(2,980,921)	(3,602,500)	(3,743,754)
S, G & A expenses	(389,441)	(426,394)	(444,201)
Adjusted housing operating income	$ 205,186	$ 306,311	$ 381,165
Adjusted housing operating income per unit	$ 20,876	$ 28,079	$ 33,827

The Company believes these non-GAAP financial measures, which assist management in making certain decisions, are relevant and useful to investors in understanding its operations and in providing meaningful period-to-period comparisons, and may be helpful in comparing the Company with other homebuilding companies to the extent they provide similar information.

Pro Forma LTM Q3 2018 EPS

(in thousands, except per share amounts)

	LTM Q3 2018		TCJA Adjustment		Pro Forma LTM Q3 2018	
Total pretax income	$	376,375	$	—	$	376,375
Income tax expense (a)		(218,500)		111,200		(107,300)
Net income	$	157,875	$	111,200	$	269,075
Diluted earnings per share					$	2.68

a) For the twelve months ended August 31, 2018, income tax expense and pro forma income tax expense include the favorable impacts of a reduction in the corporate federal income tax rate from 35% to 21% effective January 1, 2018.

The Company's pro forma income tax expense, pro forma net income and pro forma diluted earnings per share are non-GAAP financial measures, which the Company calculates by excluding a non-cash charge of $111.2 million recorded in the 2018 first quarter, from its reported income tax expense, net income and diluted earnings per share, respectively. The non-cash charge was primarily due to the Company's previously announced accounting re-measurement of its deferred tax assets based on a reduction in the corporate federal income tax rate as a result of the TCJA, which was enacted into law in December 2017.

The Company believes these non-GAAP financial measures, which assist management in making certain decisions, are relevant and useful to investors in understanding its operations and in providing meaningful period-to-period comparisons, and may be helpful in comparing the Company with other homebuilding companies to the extent they provide similar information.

Deferred Tax Asset Value and Protection

- At August 31, 2018, KB Home had net deferred tax assets (DTA) of approximately $469 million
- To support the realization of the DTA, KB Home has undertaken a number of steps to avoid experiencing an "ownership change" under federal tax laws
- The primary protection is a Rights Agreement approved by stockholders in 2009 and in 2018. The Rights Agreement provides authority for the distribution of dilutive stock purchase rights in connection with an acquisition of 4.9% or more of KB Home's outstanding common stock.
- At August 31, 2018, there were 88.4 million shares of common stock outstanding
- Beneficial owners of convertible senior notes are not permitted to convert convertible senior notes into shares of common stock above an aggregate 4.9% ownership position

THANK YOU.