

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

FORM 10-Q

(Mark One)



QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2022

or



TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-36491

CENTURY COMMUNITIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

68-0521411

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

8390 East Crescent Parkway, Suite 650

Greenwood Village, CO

(Address of principal executive offices)

80111

(Zip Code)

(Registrant's telephone number, including area code): **(303) 770-8300**

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value \$0.01 per share	CCS	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒
Non-accelerated filer ☐

Accelerated filer ☐
Smaller reporting company ☐
Emerging growth company ☐

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

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

On July 22, 2022, 32,273,160 shares of common stock, par value \$0.01 per share, of the registrant were outstanding.

CENTURY COMMUNITIES, INC.
FORM 10-Q
For the Three and Six Months Ended June 30, 2022

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Century Communities, Inc. **Condensed Consolidated Balance Sheets** **As of June 30, 2022 and December 31, 2021** *(in thousands, except share and per share amounts)*

	June 30, 2022	December 31, 2021
	(unaudited)	(audited)
Assets		
Cash and cash equivalents	\$ 78,011	\$ 316,310
Cash held in escrow	82,494	52,297
Accounts receivable	58,755	41,932
Inventories	3,002,338	2,456,614
Mortgage loans held for sale	216,367	353,063
Prepaid expenses and other assets	257,715	200,087
Property and equipment, net	27,304	24,939
Deferred tax assets, net	19,356	21,239
Goodwill	30,395	30,395
Total assets	<u>\$ 3,772,735</u>	<u>\$ 3,496,876</u>
Liabilities and stockholders' equity		
Liabilities:		
Accounts payable	\$ 117,390	\$ 84,679
Accrued expenses and other liabilities	344,549	316,877
Notes payable	1,009,631	998,936
Revolving line of credit	141,000	—
Mortgage repurchase facilities	209,001	331,876
Total liabilities	<u>1,821,571</u>	<u>1,732,368</u>
Stockholders' equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, none outstanding	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized, 32,273,160 and 33,760,940 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	323	338
Additional paid-in capital	596,727	697,845
Retained earnings	1,354,114	1,066,325
Total stockholders' equity	<u>1,951,164</u>	<u>1,764,508</u>
Total liabilities and stockholders' equity	<u>\$ 3,772,735</u>	<u>\$ 3,496,876</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

Century Communities, Inc.
Unaudited Condensed Consolidated Statements of Operations
For the Three and Six Months Ended June 30, 2022 and 2021
(in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues				
Homebuilding revenues				
Home sales revenues	\$ 1,134,535	\$ 1,004,789	\$ 2,122,950	\$ 1,964,068
Land sales and other revenues	8,810	8,258	10,440	23,928
Total homebuilding revenues	1,143,345	1,013,047	2,133,390	1,987,996
Financial services revenues	22,797	29,865	49,102	63,485
Total revenues	1,166,142	1,042,912	2,182,492	2,051,481
Homebuilding cost of revenues				
Cost of home sales revenues	(814,895)	(764,668)	(1,523,968)	(1,521,175)
Cost of land sales and other revenues	(8,012)	(7,000)	(8,858)	(17,020)
Total homebuilding cost of revenues	(822,907)	(771,668)	(1,532,826)	(1,538,195)
Financial services costs	(14,186)	(18,168)	(29,340)	(36,469)
Selling, general and administrative	(109,158)	(99,656)	(210,797)	(191,807)
Inventory impairment and other	—	(41)	—	(41)
Other income (expense)	(6,243)	(1,245)	(7,105)	(1,786)
Income before income tax expense	213,648	152,134	402,424	283,183
Income tax expense	(54,980)	(34,224)	(101,260)	(63,621)
Net income	\$ 158,668	\$ 117,910	\$ 301,164	\$ 219,562
Earnings per share:				
Basic	\$ 4.83	\$ 3.49	\$ 9.08	\$ 6.52
Diluted	\$ 4.78	\$ 3.47	\$ 8.97	\$ 6.47
Weighted average common shares outstanding:				
Basic	32,839,402	33,738,586	33,183,097	33,651,727
Diluted	33,227,383	33,956,638	33,582,900	33,920,939

See Notes to Unaudited Condensed Consolidated Financial Statements

Century Communities, Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2022 and 2021
(in thousands)

	Six Months Ended June 30,	
	2022	2021
Operating activities		
Net income	\$ 301,164	\$ 219,562
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	5,352	5,655
Stock-based compensation expense	9,791	7,212
Fair value of mortgage loans held for sale and other	5,322	3,359
Inventory impairment and other	—	41
Deferred income taxes	1,883	(5,942)
Loss on disposition of assets	1,067	804
Changes in assets and liabilities:		
Cash held in escrow	(30,197)	(14,491)
Accounts receivable	(15,624)	(8,505)
Inventories	(493,618)	(56,779)
Mortgage loans held for sale	128,114	42,659
Prepaid expenses and other assets	(23,572)	(25,694)
Accounts payable	32,466	(27,103)
Accrued expenses and other liabilities	(25,035)	2,643
Net cash (used in) provided by operating activities	(102,887)	143,421
Investing activities		
Purchases of property and equipment	(8,785)	(4,405)
Expenditures related to development of rental properties	(13,618)	—
Other investing activities	(2,879)	54
Net cash used in investing activities	(25,282)	(4,351)
Financing activities		
Borrowings under revolving credit facilities	571,000	—
Payments on revolving credit facilities	(430,000)	—
Proceeds from issuance of insurance premium notes and other	18,031	9,477
Principal payments on insurance premium notes and other	(9,043)	(3,854)
Net payments for mortgage repurchase facilities	(122,875)	(99,274)
Withholding of common stock upon vesting of stock-based compensation awards	(12,735)	(13,726)
Repurchases of common stock under stock repurchase program	(98,305)	—
Dividend payments	(13,225)	(5,065)
Other financing activities	879	(34)
Net cash used in financing activities	(96,273)	(112,476)
Net (decrease) increase	\$ (224,442)	\$ 26,594
Cash and cash equivalents and Restricted cash		
Beginning of period	322,241	398,081
End of period	\$ 97,799	\$ 424,675
Supplemental cash flow disclosure		
Cash paid for income taxes	\$ 117,476	\$ 78,909
Cash and cash equivalents and Restricted cash		
Cash and cash equivalents	\$ 78,011	\$ 419,416
Restricted cash (Note 5)	19,788	5,259
Cash and cash equivalents and Restricted cash	\$ 97,799	\$ 424,675

See Notes to Unaudited Condensed Consolidated Financial Statements

Century Communities, Inc.
Unaudited Condensed Consolidated Statements of Stockholders' Equity
For the Three and Six Months Ended June 30, 2022 and 2021
(in thousands)

For the Three Months Ended June 30, 2022 and 2021

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance at March 31, 2022	<u>33,038</u>	<u>\$ 330</u>	<u>\$ 627,447</u>	<u>\$ 1,202,085</u>	<u>\$ 1,829,862</u>
Vesting of stock-based compensation awards	36	—	—	—	—
Withholding of common stock upon vesting of stock-based compensation awards	(10)	—	(598)	—	(598)
Repurchases of common stock	(791)	(7)	(35,920)	—	(35,927)
Stock-based compensation expense	—	—	5,727	—	5,727
Cash dividends declared and dividend equivalents	—	—	71	(6,639)	(6,568)
Net income	—	—	—	158,668	158,668
Balance at June 30, 2022	<u>32,273</u>	<u>\$ 323</u>	<u>\$ 596,727</u>	<u>\$ 1,354,114</u>	<u>\$ 1,951,164</u>
Balance at March 31, 2021	<u>33,708</u>	<u>\$ 337</u>	<u>\$ 688,009</u>	<u>\$ 684,823</u>	<u>\$ 1,373,169</u>
Vesting of stock-based compensation awards	74	1	(1)	—	—
Withholding of common stock upon vesting of stock-based compensation awards	(21)	—	(1,549)	—	(1,549)
Stock-based compensation expense	—	—	4,193	—	4,193
Cash dividends declared and dividend equivalents	—	—	55	(5,120)	(5,065)
Net income	—	—	—	117,910	117,910
Balance at June 30, 2021	<u>33,761</u>	<u>\$ 338</u>	<u>\$ 690,707</u>	<u>\$ 797,613</u>	<u>\$ 1,488,658</u>

For the Six Months Ended June 30, 2022 and 2021

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2021	<u>33,761</u>	<u>\$ 338</u>	<u>\$ 697,845</u>	<u>\$ 1,066,325</u>	<u>\$ 1,764,508</u>
Vesting of stock-based compensation awards	516	5	(5)	—	—
Withholding of common stock upon vesting of stock-based compensation awards	(200)	(2)	(12,733)	—	(12,735)
Repurchases of common stock	(1,804)	(18)	(98,287)	—	(98,305)
Stock-based compensation expense	—	—	9,791	—	9,791
Cash dividends declared and dividend equivalents	—	—	150	(13,375)	(13,225)
Other	—	—	(34)	—	(34)
Net income	—	—	—	301,164	301,164
Balance at June 30, 2022	<u>32,273</u>	<u>\$ 323</u>	<u>\$ 596,727</u>	<u>\$ 1,354,114</u>	<u>\$ 1,951,164</u>
Balance at December 31, 2020	<u>33,351</u>	<u>\$ 334</u>	<u>\$ 697,200</u>	<u>\$ 583,171</u>	<u>\$ 1,280,705</u>
Vesting of stock-based compensation awards	675	7	(7)	—	—
Withholding of common stock upon vesting of stock-based compensation awards	(265)	(3)	(13,723)	—	(13,726)
Stock-based compensation expense	—	—	7,212	—	7,212
Cash dividends declared and dividend equivalents	—	—	55	(5,120)	(5,065)
Other	—	—	(30)	—	(30)
Net income	—	—	—	219,562	219,562
Balance at June 30, 2021	<u>33,761</u>	<u>\$ 338</u>	<u>\$ 690,707</u>	<u>\$ 797,613</u>	<u>\$ 1,488,658</u>

See Notes to Unaudited Condensed Consolidated Financial Statements

Century Communities, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
June 30, 2022

1. Basis of Presentation

Century Communities, Inc. (which we refer to as “we,” “CCS,” or the “Company”), together with its subsidiaries, is engaged in the development, design, construction, marketing and sale of single-family attached and detached homes in 17 states. In many of our projects, in addition to building homes, we are responsible for the entitlement and development of the underlying land. We build and sell homes under our Century Communities and Century Complete brands. Our Century Communities brand targets a wide range of buyer profiles including: entry-level, first and second time move-up, and lifestyle homebuyers, and provides our homebuyers with the ability to personalize their homes through certain option and upgrade opportunities. Our Century Complete brand targets entry-level homebuyers, primarily sells homes through retail studios and the internet, and generally provides no option or upgrade opportunities. We now have six states where both Century brands have a presence, and we believe there are more opportunities for increased penetration within our over 45 high-growth markets to enable both brands to benefit from increased scale and enhanced operational efficiencies.

Our homebuilding operations are organized into the following five reportable segments: West, Mountain, Texas, Southeast, and Century Complete. Our indirect wholly-owned subsidiaries, Inspire Home Loans Inc., Parkway Title, LLC, and IHL Home Insurance Agency, LLC, which provide mortgage, title, and insurance services, respectively, primarily to our homebuyers, have been identified as our Financial Services segment. Additionally, our wholly owned subsidiary, Century Living, LLC, is engaged in the development, construction and management of multi-family rental properties, primarily in Colorado, with the intent to dispose of properties shortly after achieving stabilized rental operations. Century Living, LLC is included in our Corporate segment.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (which we refer to as “GAAP”) and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (which we refer to as the “SEC”). In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments consisting of normal recurring adjustments necessary for a fair presentation of our financial position and results of operations for the periods presented. Interim results of operations are not necessarily indicative of the results that may be achieved for the full year. The financial statements and related notes do not include all information and footnotes required by GAAP and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021, which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 that was filed with the SEC on February 3, 2022.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company, as well as all subsidiaries in which we have a controlling interest, and variable interest entities for which the Company is deemed to be the primary beneficiary. We do not have any variable interest entities in which we are deemed the primary beneficiary. All intercompany accounts and transactions have been eliminated.

Use of Estimates

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

2. Reporting Segments

Our homebuilding operations are engaged in the development, design, construction, marketing and sale of single-family attached and detached homes in 17 states. We build and sell homes under our Century Communities and Century Complete brands. Our Century Communities brand is managed by geographic location, and each of our four geographic regions offers a wide range of buyer profiles including: entry-level, first and second time move-up, and lifestyle homebuyers, and provides our homebuyers with the ability to personalize their homes through certain option and upgrade selections. Each of our four geographic regions is considered a separate operating segment. Our Century Complete brand targets entry-level homebuyers, primarily sells homes through retail studios and the internet, and generally provides no option or upgrade selections. Our Century Complete brand currently has operations in 11 states and is managed separately from our four geographic regions. Accordingly, it is considered a separate operating segment.

The management of our four Century Communities geographic regions and Century Complete reports to our chief operating decision makers (which we refer to as “CODMs”), the Co-Chief Executive Officers of our Company. The CODMs review the results of our operations, including total revenue and income before income tax expense to determine profitability and to allocate resources. Accordingly, we have presented our homebuilding operations as the following five reportable segments:

- West (California and Washington)
- Mountain (Arizona, Colorado, Nevada, and Utah)
- Texas
- Southeast (Florida, Georgia, North Carolina, South Carolina, and Tennessee)
- Century Complete (Alabama, Arizona, Florida, Georgia, Indiana, Kentucky, Michigan, North Carolina, Ohio, South Carolina, and Texas)

We have identified our Financial Services operations, which provide mortgage, title, and insurance services to our homebuyers, as a sixth reportable segment. Our Corporate operations are a non-operating segment, as they serve to support our homebuilding, and to a lesser extent our Financial Services operations, through functions, such as our executive, finance, treasury, human resources, accounting and legal departments.

Additionally, our wholly owned subsidiary, Century Living, LLC, is engaged in the development, construction and management of multi-family rental properties, primarily in Colorado, with the intent to dispose of properties shortly after achieving stabilized rental operations. Century Living, LLC is included in our Corporate segment.

The following table summarizes total revenue and income (loss) before income tax expense by segment (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue:				
West	\$ 293,839	\$ 237,367	\$ 556,548	\$ 423,193
Mountain	283,002	295,001	564,362	600,314
Texas	122,864	132,789	247,441	220,524
Southeast	180,556	168,519	330,157	388,925
Century Complete	263,084	179,371	434,882	355,040
Financial Services	22,797	29,865	49,102	63,485
Corporate	—	—	—	—
Total revenue	<u>\$ 1,166,142</u>	<u>\$ 1,042,912</u>	<u>\$ 2,182,492</u>	<u>\$ 2,051,481</u>
Income (loss) before income tax expense:				
West	\$ 77,945	\$ 40,903	\$ 149,187	\$ 68,364
Mountain	51,500	55,814	108,503	107,794
Texas	25,327	19,139	45,898	27,670
Southeast	38,782	26,096	69,647	49,536
Century Complete	40,134	23,089	64,821	44,819
Financial Services	8,611	11,697	19,762	27,016
Corporate	(28,651)	(24,604)	(55,394)	(42,016)
Total income before income tax expense	<u>\$ 213,648</u>	<u>\$ 152,134</u>	<u>\$ 402,424</u>	<u>\$ 283,183</u>

The following table summarizes total assets by segment (in thousands):

	June 30, 2022	December 31, 2021
West	\$ 816,300	\$ 668,830
Mountain	1,083,966	1,008,481
Texas	449,936	322,302
Southeast	439,321	360,644
Century Complete	491,925	371,096
Financial Services	351,300	533,159
Corporate	139,987	232,364
Total assets	<u>\$ 3,772,735</u>	<u>\$ 3,496,876</u>

Corporate assets primarily include certain cash and cash equivalents, certain property and equipment, costs associated with development of multi-family rental properties, prepaid insurance, and deferred financing costs on our revolving line of credit.

3. Inventories

Inventories included the following (in thousands):

	June 30, 2022	December 31, 2021
Homes under construction	\$ 1,556,089	\$ 1,188,270
Land and land development	1,389,125	1,214,965
Capitalized interest	57,124	53,379
Total inventories	<u>\$ 3,002,338</u>	<u>\$ 2,456,614</u>

4. Financial Services

Our Financial Services are principally comprised of our mortgage lending operations, Inspire Home Loans Inc. (which we refer to as “Inspire”). Inspire is a full-service mortgage lender and primarily originates mortgage loans for our homebuyers. Inspire sells substantially all of the loans it originates either as loans with servicing rights released, or with servicing rights retained, in the secondary mortgage market within a short period of time after origination, generally within 30 days. Inspire primarily finances these loans using its mortgage repurchase facilities. Mortgage loans in process for which interest rates were locked by borrowers, or interest rate lock commitments, totaled approximately \$222.5 million and \$164.3 million at June 30, 2022 and December 31, 2021, respectively, and carried a weighted average interest rate of approximately 5.2% and 3.3%, respectively. As of June 30, 2022 and December 31, 2021, Inspire had mortgage loans held for sale with an aggregate fair value of \$216.4 million and \$353.1 million, respectively, and an aggregate outstanding principal balance of \$213.8 million and \$342.0 million, respectively. Our net gains on the sale of mortgage loans were \$1.5 million and \$24.5 million for the three months ended June 30, 2022 and 2021, respectively, and were \$2.2 million and \$42.5 million for the six months ended June 30, 2022 and 2021, respectively, and are included in financial services revenue on the condensed consolidated statements of operations. Interest rate risks related to these obligations are typically mitigated by the preselling of loans to investors or through our interest rate hedging program.

Mortgage loans held for sale, including the rights to service the mortgage loans, mortgage loans in process for which interest rates were committed to the borrowers (referred to as “interest rate lock commitments”), as well as the derivative instruments used to economically hedge our interest rate risk, which are typically forward commitments on mortgage-backed securities and interest rate lock commitments, are carried at fair value. Management believes carrying loans held for sale at fair value improves financial reporting by mitigating volatility in reported earnings caused by measuring the fair value of the loans and the derivative instruments used to economically hedge them. Gains and losses from the changes in fair value are reflected in financial services revenue on the condensed consolidated statements of operations. Gains from the change in fair value for mortgage loans held for sale were \$1.1 million and \$0.6 million for the three months ended June 30, 2022 and 2021, respectively, and losses from the change in fair value were \$8.6 million and \$4.3 million for the six months ended June 30, 2022 and 2021, respectively. Refer to Note 11 – Fair Value Disclosures for further information regarding our derivative instruments.

5. Prepaid Expenses and Other Assets

Prepaid expenses and other assets included the following (in thousands):

	June 30, 2022	December 31, 2021
Prepaid insurance	\$ 31,903	\$ 37,814
Lot option and escrow deposits	66,765	61,649
Performance deposits	11,813	11,196
Deferred financing costs on revolving line of credit, net	5,040	5,135
Restricted cash ⁽¹⁾	19,788	5,931
Right of use assets	15,448	16,939
Mortgage loans held for investment at fair value	14,509	10,631
Mortgage loans held for investment at amortized cost	6,846	2,825
Derivative assets and mortgage servicing rights	27,458	19,645
Other assets and prepaid expenses	58,145	28,322
Total prepaid expenses and other assets	<u>\$ 257,715</u>	<u>\$ 200,087</u>

(1) Restricted cash consists of restricted cash related to land purchases, earnest money deposits for home sale contracts held by third parties as required by various jurisdictions, and certain pledge balances associated with our mortgage repurchase facilities.

6. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities included the following (in thousands):

	June 30, 2022	December 31, 2021
Earnest money deposits	\$ 56,058	\$ 56,811
Warranty reserve	14,127	13,343
Accrued compensation costs	61,551	81,604
Land development and home construction accruals	139,252	88,155
Accrued interest	10,789	9,653
Lease liabilities - operating leases	16,047	17,359
Income taxes payable	—	1,684
Derivative liabilities	—	359
Other accrued liabilities	46,725	47,909
Total accrued expenses and other liabilities	<u>\$ 344,549</u>	<u>\$ 316,877</u>

7. Warranties

Estimated future direct warranty costs are accrued and charged to cost of home sales revenues in the period when the related home sales revenues are recognized. Amounts accrued, which are included in accrued expenses and other liabilities on the condensed consolidated balance sheets, are based upon historical experience rates. We subsequently assess the adequacy of our warranty accrual on a quarterly basis through a model that incorporates historical payment trends and adjust the amounts recorded, if necessary. Based on warranty payment trends relative to our estimates at the time of home closing, we increased our warranty reserve by \$58.0 thousand during the three months ended June 30, 2022 and reduced our warranty reserve by \$0.4 million during the three months ended June 30, 2021, respectively, and we reduced our warranty reserve by \$0.5 million and \$2.2 million during the six months ended June 30, 2022 and 2021, respectively. These adjustments are included in cost of home sales revenues on our condensed consolidated statements of

operations. Changes in our warranty accrual for the three and six months ended June 30, 2022 and 2021 are detailed in the table below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Beginning balance	\$ 13,503	\$ 13,480	\$ 13,343	\$ 13,824
Warranty expense provisions	2,245	2,382	4,147	4,680
Payments	(1,679)	(1,605)	(2,867)	(2,444)
Warranty adjustment	58	(395)	(496)	(2,198)
Ending balance	\$ 14,127	\$ 13,862	\$ 14,127	\$ 13,862

8. Debt

Our outstanding debt obligations included the following as of June 30, 2022 and December 31, 2021 (in thousands):

	June 30, 2022	December 31, 2021
3.875% senior notes, due August 2029 ⁽¹⁾	\$ 494,503	\$ 494,117
6.750% senior notes, due May 2027 ⁽¹⁾	495,985	495,581
Other financing obligations ⁽²⁾	19,143	9,238
Notes payable	1,009,631	998,936
Revolving line of credit	141,000	—
Mortgage repurchase facilities	209,001	331,876
Total debt	\$ 1,359,632	\$ 1,330,812

(1) The carrying value of senior notes reflects the impact of premiums, discounts, and issuance costs that are amortized to interest expense over the respective terms of the senior notes.

(2) As of June 30, 2022, other financing obligations included \$18.2 million related to insurance premium notes and certain secured borrowings, as well as \$0.9 million outstanding under the Construction Loan Agreement. As of June 30, 2021, other financing obligations included \$9.2 million related to insurance premium notes and certain secured borrowings.

Construction Loan Agreement

On March 17, 2022, a wholly owned subsidiary of Century Living entered into a Construction Loan Agreement with U.S. Bank National Association, a national banking association, d/b/a Housing Capital Company (which we refer to as “the Lender”). The Construction Loan Agreement provides that we may borrow up to \$80.0 million from the Lender for purposes of construction of a multi-family project in Colorado, with advances made by the Lender upon the satisfaction of certain conditions. Borrowings under the Construction Loan Agreement bear interest at a rate per annum equal to a forward-looking term rate based on the secured overnight financing rate (which we refer to as “SOFR”) plus 210 basis points. The outstanding principal balance and all accrued and unpaid interest is due on the maturity date of March 17, 2026, and prepayments of the unpaid principal balance and accrued interest may be prepaid in full or in part, without premium or penalty. We have the option to extend the maturity date for a period of 12 months if certain conditions are satisfied. The Construction Loan Agreement contains customary affirmative and negative covenants (including covenants related to construction completion, and limitations on the use of loan proceeds, transfers of land, equipment, and improvements), as well as customary events of default.

As of June 30, 2022, \$0.9 million was outstanding under the Construction Loan Agreement, and we were in compliance with all covenants thereunder.

Revolving Line of Credit

On May 21, 2021, we entered into a Second Amended and Restated Credit Agreement (which we refer to as the “Second A&R Credit Agreement”) with Texas Capital Bank, National Association, as Administrative Agent and L/C Issuer, and the lenders party thereto. The Second A&R Credit Agreement, which amended and restated our prior Amended and Restated Credit Agreement, provides us with a senior unsecured revolving line of credit (which we refer to as the “Credit Facility”) of up to \$800.0 million, and unless terminated earlier, will mature on April 30, 2026. The Credit Facility includes a \$250.0 million sublimit for standby letters of credit. Under the terms of the Second A&R Credit Agreement, the Company is entitled to request an increase in the size of the Credit Facility by an amount not exceeding \$200 million. Our obligations under the Second A&R Credit Agreement are guaranteed by certain of our subsidiaries. The Second A&R Credit Agreement contains customary affirmative and negative covenants (including limitations on our ability to grant liens, incur additional debt, pay dividends, redeem our common stock, make certain investments and engage in certain

merger, consolidation or asset sale transactions), as well as customary events of default. Borrowings under the Second A&R Credit Agreement bear interest at a floating rate equal to the adjusted Eurodollar Rate plus an applicable margin between 2.05% and 2.65% per annum, and if made available in the Administrative Agent's discretion, a base rate plus an applicable margin between 1.05% and 1.65% per annum.

As of June 30, 2022 and December 31, 2021, \$141.0 million and no amounts were outstanding under the Credit Facility, respectively, and we were in compliance with all covenants under the Second A&R Credit Agreement.

Mortgage Repurchase Facilities – Financial Services

On May 4, 2018, September 14, 2018, and August 1, 2019, Inspire entered into mortgage warehouse facilities, with Comerica Bank, J.P. Morgan, and Wells Fargo, respectively. The mortgage warehouse lines of credit (which we refer to as the "Repurchase Facilities"), which were increased in 2020, provide Inspire with uncommitted repurchase facilities of up to \$325.0 million as of June 30, 2022, secured by the mortgage loans financed thereunder. The Repurchase Facilities have varying short term maturity dates through August 23, 2022 and bear a weighted average interest rate of 2.938%.

Amounts outstanding under the Repurchase Facilities are not guaranteed by us or any of our subsidiaries, and the agreements contain various affirmative and negative covenants applicable to Inspire that are customary for arrangements of this type. As of June 30, 2022, and December 31, 2021, we had \$209.0 million and \$331.9 million outstanding under the Repurchase Facilities, respectively, and were in compliance with all covenants thereunder.

During the three months ended June 30, 2022 and 2021, we incurred interest expense on the Repurchase Facilities of \$0.4 million and \$0.6 million, respectively, which are included in financial services costs on our condensed consolidated statements of operations. During the six months ended June 30, 2022 and 2021, we incurred interest expense on the Repurchase Facilities of \$0.8 million and \$1.4 million, respectively.

9. Interest on Senior Notes and Revolving Line of Credit

Interest on our senior notes and Revolving Line of Credit is capitalized to inventories while the related communities are being actively developed and until homes are completed. As our qualifying assets exceeded our outstanding debt during the three and six months ended June 30, 2022 and 2021, we capitalized all interest costs incurred on these facilities during these periods.

Our interest costs were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Interest capitalized beginning of period	\$ 55,252	\$ 57,509	\$ 53,379	\$ 60,838
Interest capitalized during period	15,345	15,058	29,364	30,106
Less: capitalized interest in cost of sales	(13,473)	(18,406)	(25,619)	(36,783)
Interest capitalized end of period	<u>\$ 57,124</u>	<u>\$ 54,161</u>	<u>\$ 57,124</u>	<u>\$ 54,161</u>

10. Income Taxes

At the end of each interim period we are required to estimate our annual effective tax rate for the fiscal year and to use that rate to provide for income taxes for the current year-to-date reporting period. Our 2022 estimated annual effective tax rate, before discrete items, of 25.6% is driven by our blended federal and state statutory rate of 24.8%, and certain permanent differences between GAAP and tax, including disallowed deductions for executive compensation which increased our rate by 0.8%.

For the six months ended June 30, 2022, our estimated annual rate of 25.6% was impacted by discrete items which had a net impact of decreasing our rate by 0.4%, including excess tax benefits for vested stock-based compensation and federal energy tax credits claimed on prior year home deliveries in excess of previous estimates.

Our estimated annual rate for the six months ended June 30, 2022 of 25.6% increased by 340 basis points as compared to our effective tax rate for the year ended December 31, 2021 of 22.2%. The increase in our estimated rate is driven by the expiration of the Energy Efficient Home Credit on December 31, 2021. The Energy Efficient Home Credit provided a \$2,000 tax credit for each home delivered that met the energy saving and certification requirements under the statute.

For the three months ended June 30, 2022 and 2021, we recorded income tax expense of \$55.0 million and \$34.2 million, respectively. For the six months ended June 30, 2022 and 2021, we recorded income tax expense of \$101.3 million and \$63.6 million, respectively.

11. Fair Value Disclosures

Fair value measurements are used for the Company's mortgage loans held for sale, mortgage loans held for investment, mortgage servicing rights, interest rate lock commitments and other derivative instruments on a recurring basis. We also utilize fair value measurements on a non-recurring basis for inventories and intangible assets when events and circumstances indicate that the carrying value is not recoverable. The fair value hierarchy and its application to the Company's assets and liabilities is as follows:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are inactive; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets at the measurement date.

- *Mortgage loans held for sale* – Fair value is based on quoted market prices for committed and uncommitted mortgage loans.
- *Derivative assets and liabilities* – Derivative assets are interest rate lock commitments and derivative liabilities are associated with forward commitments and investor commitments on loans. Fair value is based on market prices for similar instruments.

Level 3 – Valuations derived from techniques where one or more significant inputs or significant value drivers are unobservable in active markets at the measurement date.

- *Mortgage servicing rights* - The fair value of the mortgage servicing rights is calculated using third-party valuations. The key assumptions, which are generally unobservable inputs, used in the valuation of the mortgage servicing rights include mortgage prepayment rates, discount rates and cost to service.
- *Mortgage loans held for investment at fair value* – The fair value of mortgage loans held for investment at fair value is calculated based on Level 3 analysis which incorporates information including the value of underlying collateral, from markets where there is little observable trading activity.

The following outlines the Company's assets and liabilities measured at fair value on a recurring basis at June 30, 2022 and December 31, 2021, respectively (in thousands):

	Balance Sheet Classification	Hierarchy	June 30, 2022	December 31, 2021
Mortgage loans held for sale	Mortgage loans held for sale	Level 2	\$ 216,367	\$ 353,063
Mortgage loans held for investment at fair value ⁽¹⁾	Prepaid expenses and other assets	Level 3	\$ 14,509	\$ 10,631
Derivative assets	Prepaid expenses and other assets	Level 2	\$ 7,262	\$ 5,944
Mortgage servicing rights ⁽²⁾	Prepaid expenses and other assets	Level 3	\$ 20,196	\$ 13,701
Derivative liabilities	Accrued expenses and other liabilities	Level 2	\$ —	\$ 359

⁽¹⁾ The unobservable inputs used in the valuation of the mortgage loans held for investment at fair value include, among other items, the value of underlying collateral, from markets where there is little observable trading activity.

⁽²⁾ The unobservable inputs used in the valuation of the mortgage servicing rights include mortgage prepayment rates, discount rates and cost to service, which were 7.7%, 9.9%, and \$0.086 per year per loan, respectively as of June 30, 2022, and 8.5%, 9.9%, and \$0.085 per year per loan, respectively, as of December 31, 2021. The high and low end of the range of unobservable inputs used in the valuation did not result in a significant change to the fair value measurement.

The following table represents the reconciliation of the beginning and ending balance for the Level 3 recurring fair value measurements, with gains and losses from the changes in fair value reflected in financial services revenue on the condensed consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Mortgage servicing rights				
Beginning of period	\$ 18,050	\$ 8,249	\$ 13,701	\$ 4,115
Originations	1,967	2,500	5,373	6,382
Settlements	(230)	(143)	(535)	(270)
Changes in fair value	409	(308)	1,657	71
End of period	\$ 20,196	\$ 10,298	\$ 20,196	\$ 10,298

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Mortgage loans held-for-investment at fair value				
Beginning of period	\$ 13,955	\$ 10,078	\$ 10,631	\$ 8,727
Transfers from loans held for sale	1,216	1,981	5,142	3,381
Settlements	(592)	(1,180)	(1,121)	(1,180)
Reduction in unpaid principal balance	(70)	(56)	(124)	(105)
Changes in fair value	—	—	(19)	—
End of period	<u>\$ 14,509</u>	<u>\$ 10,823</u>	<u>\$ 14,509</u>	<u>\$ 10,823</u>

For the financial assets and liabilities that the Company does not reflect at fair value, the following present both their respective carrying value and fair value at June 30, 2022 and December 31, 2021, respectively (in thousands).

	Hierarchy	June 30, 2022		December 31, 2021	
		Carrying	Fair Value	Carrying	Fair Value
Cash and cash equivalents	Level 1	\$ 78,011	\$ 78,011	\$ 316,310	\$ 316,310
3.875% senior notes ⁽¹⁾⁽²⁾	Level 2	\$ 494,503	\$ 387,500	\$ 494,117	\$ 504,375
6.750% senior notes ⁽¹⁾⁽²⁾	Level 2	\$ 495,985	\$ 475,625	\$ 495,581	\$ 526,875
Revolving line of credit ⁽³⁾	Level 2	\$ 141,000	\$ 141,000	\$ —	\$ —
Other financing obligations ⁽³⁾⁽⁴⁾	Level 3	\$ 19,143	\$ 19,143	\$ 9,238	\$ 9,238
Mortgage repurchase facilities ⁽³⁾	Level 2	\$ 209,001	\$ 209,001	\$ 331,876	\$ 331,876

(1) Estimated fair value of the senior notes is based on recent trading activity in inactive markets.

(2) Carrying amounts include any associated unamortized deferred financing costs, premiums and discounts. As of June 30, 2022, these amounts totaled \$5.5 million and \$4.0 million for the 3.875% senior notes and 6.750% senior notes, respectively. As of December 31, 2021, these amounts totaled \$5.9 million and \$4.4 million for the 6.750% senior notes and 5.875% senior notes, respectively.

(3) Carrying amount approximates fair value due to short-term nature and interest rate terms.

(4) Other financing obligations included \$0.9 million related to outstanding borrowings on the Construction Loan Agreement, and \$18.2 million related to insurance premium notes and certain secured borrowings that generally bore interest rates ranging from 2.40% to 3.64% during the period ended June 30, 2022 and from 2.99% to 3.24% during the period ended December 31, 2021.

Non-financial assets and liabilities include items such as inventory and property and equipment that are measured at fair value when acquired and as a result of impairments, if deemed necessary. No impairment charges were recorded in the three and six months ended June 30, 2022 and nominal impairment charges were recorded in the three and six months ended June 30, 2021. When impairment charges are recognized, the estimated fair value of communities are determined through a discounted cash flow approach utilizing Level 3 inputs. Changes in our cash flow projections in future periods related to these communities may change our conclusions on the recoverability of inventory in the future.

12. Stock-Based Compensation

During the six months ended June 31, 2022 and 2021, we granted performance share units (which we refer to as “PSUs”) covering up to 0.5 million and 0.2 million shares of common stock, respectively, assuming maximum level of performance, with a grant date fair value of \$55.93 and \$58.28 per share, respectively, that are subject to both service and performance vesting conditions. The quantity of shares that will ultimately vest for the PSUs ranges from 0% to up to 250% of a targeted number of shares for each participant and will be determined based on an achievement of a three year adjusted pre-tax income performance goal. During the six months ended June 30, 2022 and 2021, we issued 0.3 million and 0.3 million shares of common stock, respectively, upon the vesting and settlement of PSUs that were granted in previous periods. Approximately 0.9 million shares will vest from 2022 to 2024 if the defined maximum performance targets are met, and no shares will vest if the defined minimum performance targets are not met.

During the six months ended June 30, 2022 and 2021, we granted restricted stock units (which we refer to as “RSUs”) covering 0.2 million and 0.2 million shares of common stock, respectively, with a grant date fair value of \$63.77 and \$53.43 per share, respectively, that primarily vest over a three year period. During the six months ended June 30, 2022, we granted 11.0 thousand shares of common stock on an unrestricted basis (which we refer to as “stock awards”) with a grant date fair value of \$54.46 per share to our non-employee directors.

A summary of our outstanding PSUs, assuming the current estimated level of performance achievement, and RSUs are as follows (in thousands, except years):

	As of June 30, 2022
Unvested units	998
Unrecognized compensation cost	\$ 30,110
Weighted-average period to recognize compensation cost	1.78

During the three months ended June 30, 2022 and 2021, we recognized stock-based compensation expense of \$5.7 million and \$4.2 million, respectively. During the six months ended June 30, 2022 and 2021, we recognized stock-based compensation expense of \$9.8 million and \$7.2 million, respectively. Stock-based compensation expense is included in selling, general, and administrative expense on our condensed consolidated statements of operations.

13. Stockholders' Equity

Our authorized capital stock consists of 100.0 million shares of common stock, par value \$0.01 per share, and 50.0 million shares of preferred stock, par value \$0.01 per share. As of June 30, 2022 and December 31, 2021, there were 32.3 million and 33.8 million shares of common stock issued and outstanding, respectively, and no shares of preferred stock outstanding.

On May 4, 2022, the stockholders approved the adoption of the Century Communities, Inc. 2022 Omnibus Incentive Plan (which we refer to as the "2022 Incentive Plan"), which replaced the Century Communities, Inc. Amended and Restated 2017 Omnibus Incentive Plan (which we refer to as our "2017 Incentive Plan"). Under the 2022 Incentive Plan, 3.1 million shares of common stock are available for issuance to eligible participants, plus 51.2 thousand shares of our common stock that remained available for issuance under the 2017 Incentive Plan and any shares subject to awards outstanding under the 2017 Incentive Plan that are subsequently forfeited, cancelled, expire or otherwise terminate without the issuance of such shares. During the six months ended June 30, 2022 and 2021, we issued 0.5 million and 0.7 million shares of common stock, respectively, related to the vesting and settlement of RSUs, PSUs, and stock awards. As of June 30, 2022, approximately 3.1 million shares of common stock remained available for issuance under the 2022 Incentive Plan.

The following table sets forth cash dividends declared by our Board of Directors to holders of record of our common stock during the six months ended June 30, 2022 (in thousands, except per share information):

Declaration Date	Record Date	Payable Date	Cash Dividends Declared	
			Per Share	Amount
February 16, 2022	March 2, 2022	March 16, 2022	\$ 0.20	\$ 6,657
May 18, 2022	June 1, 2022	June 15, 2022	\$ 0.20	\$ 6,568

Under the 2022 Incentive Plan and the previous 2017 Incentive Plan, at the discretion of the Compensation Committee of the Board of Directors, RSUs and PSUs granted under the plan have the right to earn dividend equivalents, which entitles the holders of such RSUs and PSUs to additional RSUs and PSUs equal to the same dividend value per share as holders of common stock. Dividend equivalents are subject to the same vesting and other terms and conditions as the underlying RSUs and PSUs.

On November 27, 2019, we entered into a Distribution Agreement with J.P. Morgan Securities LLC, BofA Securities, Inc., Citigroup Global Markets Inc., and Fifth Third Securities, Inc. (which we refer to as the "Distribution Agreement"), as sales agents pursuant to which we may offer and sell shares of our common stock having an aggregate offering price of up to \$100.0 million from time to time through any of the sales agents party thereto in "at-the-market" offerings, in accordance with the terms and conditions set forth in the Distribution Agreement. This Distribution Agreement, which superseded and replaced a prior similar distribution agreement, and was amended in July 2021 to acknowledge our filing of a new registration statement on Form S-3 registering the issuance and sale of shares of our common stock under the Distribution Agreement and replace Citigroup Global Markets Inc. with Wells Fargo Securities, LLC as a sales agent, had all \$100.0 million available for sale as of June 30, 2022. We did not sell or issue any shares of our common stock during the three and six months ended June 30, 2022 and 2021, respectively. The Distribution Agreement will remain in full force and effect until terminated by either party pursuant to the terms of the agreement or such date that the maximum offering amount has been sold in accordance with the terms of the agreement.

On November 6, 2018, we authorized a stock repurchase program, under which we may repurchase up to 4.5 million shares of our outstanding common stock. During the three and six months ended June 30, 2022, an aggregate of 0.8 million and 1.8 million shares, respectively, were repurchased for a total purchase price of approximately \$35.9 million and \$98.3 million, respectively, and a weighted average price of \$45.42 and \$54.46 per share, respectively. During the three and six months ended June 30, 2021, we did not repurchase any shares of common stock. The maximum number of shares available to be repurchased under the stock repurchase program as of June 30, 2022 was 2,008,994 shares.

During the six months ended June 30, 2022 and 2021, shares of common stock at a total cost of \$12.7 million and \$13.7 million, respectively, were netted and surrendered as payment for minimum statutory withholding obligations in connection with the vesting of outstanding stock-based compensation awards. Shares surrendered by the participants in accordance with the applicable award agreements and plan are deemed repurchased and retired by us but are not part of our publicly announced share repurchase programs.

14. Earnings Per Share

We use the treasury stock method to calculate earnings per share as our currently issued non-vested RSUs and PSUs do not have participating rights.

The following table sets forth the computation of basic and diluted EPS for the three and six months ended June 30, 2022 and 2021 (in thousands, except share and per share information):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator				
Net income	\$ 158,668	\$ 117,910	\$ 301,164	\$ 219,562
Denominator				
Weighted average common shares outstanding - basic	32,839,402	33,738,586	33,183,097	33,651,727
Dilutive effect of restricted stock units	387,981	218,052	399,803	269,212
Weighted average common shares outstanding - diluted	33,227,383	33,956,638	33,582,900	33,920,939
Earnings per share:				
Basic	\$ 4.83	\$ 3.49	\$ 9.08	\$ 6.52
Diluted	\$ 4.78	\$ 3.47	\$ 8.97	\$ 6.47

Stock-based awards are excluded from the calculation of diluted EPS in the event they are subject to unsatisfied performance conditions or are antidilutive. We excluded 0.5 million and 0.8 million common stock unit equivalents from diluted earnings per share during the three months ended June 30, 2022 and 2021, respectively, and we excluded 0.5 million and 0.8 million common stock unit equivalents from diluted earnings per share during the six months ended June 30, 2022 and 2021, respectively, related to the PSUs for which performance conditions remained unsatisfied.

15. Commitments and Contingencies

Letters of Credit and Performance Bonds

In the normal course of business, we post letters of credit and performance and other bonds primarily related to our land development performance obligations with local municipalities. As of June 30, 2022 and December 31, 2021, we had \$564.0 million and \$492.5 million, respectively, in letters of credit and performance and other bonds issued and outstanding.

Legal Proceedings

We are subject to claims and lawsuits that arise primarily in the ordinary course of business, which consist primarily of construction claims. It is the opinion of our management that if the claims have merit, parties other than the Company would be, at least in part, liable for the claims, and the eventual outcome of these claims will not have a material adverse effect upon our consolidated financial condition, results of operations, or cash flows. When we believe that a loss is probable and estimable, we record a charge on our condensed consolidated statements of operations for our estimated loss.

Under various insurance policies, we have the ability to recoup costs in excess of applicable self-insured retentions. Estimates of such amounts are recorded in other assets on our condensed consolidated balance sheet when recovery is probable.

We do not believe that the ultimate resolution of any claims and lawsuits will have a material adverse effect upon our consolidated financial position, results of operations, or cash flows.

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

Some of the statements included in this Quarterly Report on Form 10-Q (which we refer to as this "Form 10-Q") constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, forecasts, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. These statements are only predictions. We caution that forward-looking statements are not guarantees. Actual events and results of operations could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may," "will," "should," "expect," "could," "intend," "plan," "anticipate," "estimate," "believe," "continue," "predict," "potential," "outlook," the negative of such terms and other comparable terminology and the use of future dates. You can also identify forward-looking statements by discussions of strategy, plans or intentions. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors.

The forward-looking statements included in this Form 10-Q reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. Statements regarding the following subjects, among others, may be forward-looking and subject to risks and uncertainties including among others:

- economic changes, either nationally or in the markets in which we operate, including increased interest rates, inflation, and employment levels;
- shortages of or increased prices for labor, land or raw materials, including lumber, used in housing construction and resource shortages;
- a downturn in the homebuilding industry, including a reduction in demand or a decline in real estate values or market conditions resulting in an adverse impact on our business, operating results and financial condition, including an impairment of our assets;
- changes in assumptions used to make industry forecasts, population growth rates or trends affecting housing demand or prices;
- continued volatility and uncertainty in the credit markets and broader financial markets;
- the impact of the COVID-19 pandemic and measures taken in response to the COVID-19 pandemic on our business operations, operating results and financial condition, as well as the general economy and housing market in particular;
- our future operating results and financial condition;
- our business operations;
- changes in our business and investment strategy;
- availability and price of land to acquire, and our ability to acquire such land on favorable terms or at all;
- availability, terms and deployment of capital;
- availability or cost of mortgage financing or an increase in the number of foreclosures in the market;
- delays in land development or home construction resulting from adverse weather conditions or other events outside our control;
- impact of construction defect, product liability, and/or home warranty claims, including the adequacy of accruals and the applicability and sufficiency of our insurance coverage;
- changes in, or the failure or inability to comply with, governmental laws and regulations;
- the timing of receipt of municipal, utility and other regulatory approvals and the opening of projects;
- the impact and cost of compliance with evolving environmental, health and safety and other laws and regulations and third-party challenges to required permits and other approvals and potential legal liability in connection therewith;
- the degree and nature of our competition;
- our leverage, debt service obligations and exposure to changes in interest rates and our ability to refinance our debt when needed or on favorable terms;
- our ability to continue to fund and succeed in our mortgage lending business and the additional risks involved in that business;
- availability of qualified personnel and contractors and our ability to retain key personnel and contractor relationships;
- our ability to pay dividends in the future;
- taxation and tax policy changes, tax rate changes, new tax laws, new or revised tax law interpretations or guidance; and
- changes in United States generally accepted accounting principles (which we refer to as "GAAP").

Forward-looking statements are based on our beliefs, assumptions and expectations of future events, taking into account all information currently available to us. Forward-looking statements are not guarantees of future events or of our performance. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these events and factors are described above and in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K, and other risks and uncertainties detailed in this report, including "Part II, Item 1A. Risk Factors", and our other reports and filings with the SEC. If a change occurs, our business, financial condition, liquidity, cash flows and results of operations may vary materially from those expressed in or implied by our forward-looking statements. New risks and uncertainties arise over time, and it is not possible for us to predict the occurrence of those matters or the manner in which they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or

revise any forward-looking statements, whether as a result of new information, future events or otherwise. Therefore, you should not rely on these forward-looking statements as of any date subsequent to the date of this Form 10-Q.

As used in this Form 10-Q, references to “we,” “us,” “our,” “Century” or the “Company” refer to Century Communities, Inc., a Delaware corporation, and, unless the context otherwise requires, its subsidiaries and affiliates.

The following discussion and analysis of our financial condition and results of operations is intended to help the reader understand our Company, business, operations and present business environment and is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and the related notes to those statements included elsewhere in this Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. We use certain non-GAAP financial measures that we believe are important for purposes of comparison to prior periods. This information is also used by our management to measure the profitability of our ongoing operations and analyze our business performance and trends. Some of the numbers included herein have been rounded for the convenience of presentation.

Overview

Century is engaged in the development, design, construction, marketing and sale of single-family attached and detached homes in 17 states. In many of our projects, in addition to building homes, we are responsible for the entitlement and development of the underlying land. We build and sell homes under our Century Communities and Century Complete brands.

Our Century Communities brand offers a wide range of buyer profiles including: entry-level, first and second time move-up, and lifestyle homebuyers, and provides our homebuyers with the ability to personalize their homes through certain option and upgrade opportunities. Our Century Complete brand targets entry-level homebuyers, primarily sells homes through retail studios and the internet and generally provides no option or upgrade opportunities. We now have six states where both Century brands have a presence and we believe there are more opportunities for increased penetration within our over 45 high-growth markets to enable both brands to benefit from increased scale and enhanced operational efficiencies.

Our homebuilding operations are organized into the following five reportable segments: West, Mountain, Texas, Southeast, and Century Complete. Our indirect wholly-owned subsidiaries, Inspire Home Loans Inc., Parkway Title, LLC, and IHL Home Insurance Agency, LLC, which provide mortgage, title, and insurance services, respectively, primarily to our homebuyers have been identified as our Financial Services segment. Additionally, our wholly owned subsidiary, Century Living, LLC, is engaged in the development, construction and management of multi-family rental properties, primarily in Colorado, with the intent to dispose of properties shortly after achieving stabilized rental operations. Century Living, LLC is included in our Corporate segment.

While we offer homes that appeal to a broad range of entry-level, move-up, and lifestyle homebuyers, our offerings are heavily weighted towards providing affordable housing options in each of our homebuyer segments. Additionally, we prefer building move-in-ready homes over built-to-order homes, which we believe allows for a faster construction process, advantageous pricing with subcontractors, and shortened time period from home sale to home delivery, thus allowing us to more appropriately price the homes and deploy our capital. Of the 5,061 homes delivered during the first six months of 2022, approximately 77% of our deliveries were made to entry-level homebuyers and approximately 96% of homes delivered were built as move-in ready homes.

During the second quarter of 2022 we experienced a moderation of sales pace across our markets resulting in a decrease of 28.4% in our net new home contracts as compared to the prior year period. This decrease in our sales pace was consistent with second quarter 2022 trends seen in the overall housing market, as increases in interest rates on mortgages, rising inflation, and macro-economic uncertainty caused demand for home sales to decrease from the historically strong market conditions experienced since the second quarter of 2020.

We anticipate the homebuilding markets in each of our operating segments will continue to be tied to both the local economy and the macro-economic environment. We believe future demand for our homes is uncertain as future economic and market conditions are uncertain, in particular with respect to inflation; the impact of raising the federal funds interest rate by the Federal Reserve; the extent to which and how long COVID-19 and related government directives, actions, and economic relief efforts will impact the U.S. economy, financial markets, credit and mortgage markets; consumer confidence; interest rates; availability and cost of mortgage loans to homebuyers; wage growth; household formations; levels of new and existing homes for sale; prevailing home prices, availability and cost of land, labor and construction materials; demographic trends; housing demand; and other factors, including those described elsewhere in this Form 10-Q. Specifically, the recent rise in interest rates increases the costs of owning a home and adversely affects the purchasing power of our customers. Increased interest rates also could decrease homebuyer confidence and hinder not only demand for our homes, but also our ability to realize our backlog. A decrease in demand for our homes or an increase in cancellations due to increased interest rates or otherwise would adversely affect our operating results in future periods, including our net sales, home deliveries, gross margin, origination volume of and revenues from our Financial Services segment, and net income. As a result, our past performance may not be indicative of our future results.

Despite the future macro-economic uncertainty, we believe we are well-positioned to benefit from the ongoing shortage of both new and resale homes available for purchase in our key markets and the favorable demographics that support the need for new housing. Subject to further deteriorating market conditions, we believe our operations are well-positioned for future growth as a result of the markets in which we operate, our product offerings which both span the home buying segment, and focus on affordable price points, and our current and future inventories of attractive land positions. As we have grown, we have continued to focus on maintaining an appropriate balance of home and land inventories in relation to anticipated future demand, as well as prudent leverage, and, as a result, we believe we are well positioned to continue to execute on our strategy in order to grow and optimize stockholder returns.

Results of Operations

During the three and six months ended June 30, 2022, we generated \$213.6 million and \$402.4 million in income before income tax expense, respectively, and net income of \$158.7 million, or \$4.78 per diluted share, and \$301.2 million, or \$8.97 per diluted share, respectively, representing substantial increases as compared to the respective prior year periods, and resulting in a 33.7% return on equity on an annualized basis for the three months ended June 30, 2022. During the first six months of 2022, we paid cash dividends to our stockholders of \$0.20 per share, and we also returned capital to our stockholders via share repurchases of 1.8 million shares for \$98.3 million or a weighted average price of \$54.46 per share.

Our second quarter 2022 financial results for the second quarter are reflective of the strength of our markets during previous quarters when the homes were contracted for which allowed us to pass on higher costs through higher selling prices and thereby positively affecting our margins during the first six months of 2022. While we continued to experience labor and raw material shortages and municipal and utility delays in many of our markets, the severity of the shortages and delays moderated during the second quarter of 2022.

During the three and six months ended June 30, 2022, we delivered 2,713 and 5,061 homes, respectively, with an average sales price of \$418.2 thousand and \$419.5 thousand, respectively. Average sales price increased 15.3% and 18.9% during the three and six months ended June 30, 2022 as compared to the respective prior year period, driving homebuilding revenues of \$1.1 billion and \$2.1 billion, respectively, representing increases of 12.9% and 7.3% over the respective prior year period. The number of homes delivered represent decreases of 2.1% and 9.1%, respectively, as compared to the respective prior year period, which were primarily driven by the timing of new community openings. As of June 30, 2022, we had a backlog of 4,767 homes, a 7.2% increase as compared to June 30, 2021, representing approximately \$2.0 billion in sales value, and a 12.2% increase as compared to June 30, 2021.

During the three and six months ended June 30, 2022, we generated financial services revenue of \$22.8 million and \$49.1 million, respectively, representing decreases of 23.7% and 22.7% over the respective prior year period, driven by a reduced number of mortgages originated, as well as reduced gain on sale margins on loans sold to third parties.

We ended the second quarter of 2022 with \$141.0 million outstanding under our revolving line of credit, \$78.0 million of cash and cash equivalents, \$82.5 million of cash held in escrow, and a net homebuilding debt to net capital ratio of 33.6%. Additionally, we increased our land acquisition and development activities during the first six months of 2022 to bolster our lot pipeline and support future community growth, which resulted in 75,551 lots owned and controlled at June 30, 2022, a 15.2% increase as compared to June 30, 2021 and a 5.4% decrease as compared to December 31, 2021.

During the six months ended June 30, 2022, our Century Living operations commenced construction on a 425-unit multi-family project in Lone Tree, Colorado, which we anticipate will be available for leasing in 2024.

The following table summarizes our results of operations for the three and six months ended June 30, 2022 and 2021.

(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Consolidated Statements of Operations:				
Revenue				
Home sales revenues	\$ 1,134,535	\$ 1,004,789	\$ 2,122,950	\$ 1,964,068
Land sales and other revenues	8,810	8,258	10,440	23,928
Total homebuilding revenues	1,143,345	1,013,047	2,133,390	1,987,996
Financial services revenues	22,797	29,865	49,102	63,485
Total revenues	1,166,142	1,042,912	2,182,492	2,051,481
Homebuilding cost of revenues				
Cost of home sales revenues	(814,895)	(764,668)	(1,523,968)	(1,521,175)
Cost of land sales and other revenues	(8,012)	(7,000)	(8,858)	(17,020)
	(822,907)	(771,668)	(1,532,826)	(1,538,195)
Financial services costs	(14,186)	(18,168)	(29,340)	(36,469)
Selling, general, and administrative	(109,158)	(99,656)	(210,797)	(191,807)
Inventory impairment and other	—	(41)	—	(41)
Other income (expense)	(6,243)	(1,245)	(7,105)	(1,786)
Income before income tax expense	213,648	152,134	402,424	283,183
Income tax expense	(54,980)	(34,224)	(101,260)	(63,621)
Net income	\$ 158,668	\$ 117,910	\$ 301,164	\$ 219,562
Earnings per share:				
Basic	\$ 4.83	\$ 3.49	\$ 9.08	\$ 6.52
Diluted	\$ 4.78	\$ 3.47	\$ 8.97	\$ 6.47
Adjusted diluted earnings per share ⁽¹⁾	\$ 4.78	\$ 3.47	\$ 8.97	\$ 6.47
Other Operating Information (dollars in thousands):				
Number of homes delivered	2,713	2,771	5,061	5,568
Average sales price of homes delivered	\$ 418.2	\$ 362.6	\$ 419.5	\$ 352.7
Homebuilding gross margin percentage ⁽²⁾	28.2%	23.9 %	28.2%	22.5 %
Adjusted homebuilding gross margin excluding interest and inventory impairment and other ⁽¹⁾	29.4%	25.7 %	29.4%	24.4 %
Backlog at end of period, number of homes	4,767	4,446	4,767	4,446
Backlog at end of period, aggregate sales value	\$ 1,977,560	\$ 1,762,465	\$ 1,977,560	\$ 1,762,465
Average sales price of homes in backlog	\$ 414.8	\$ 396.4	\$ 414.8	\$ 396.4
Net new home contracts	2,233	3,120	5,177	6,575
Selling communities at period end	213	184	213	184
Average selling communities	202	179	200	187
Total owned and controlled lot inventory	75,551	65,610	75,551	65,610
Adjusted EBITDA ⁽¹⁾	\$ 229,720	\$ 173,258	\$ 433,383	\$ 325,379
Adjusted income before income tax expense ⁽¹⁾	\$ 213,648	\$ 152,175	\$ 402,424	\$ 283,224
Adjusted net income ⁽¹⁾	\$ 158,668	\$ 117,987	\$ 301,164	\$ 219,594
Net homebuilding debt to net capital ⁽¹⁾	33.6%	23.0 %	33.6%	23.0 %

⁽¹⁾ This is a non-GAAP financial measure and should not be used as a substitute for the Company's operating results prepared in accordance with GAAP. See the reconciliations to the most comparable GAAP measure and other information under "Non-GAAP Financial Measures." An analysis of any non-GAAP financial measure should be used in conjunction with results presented in accordance with GAAP.

⁽²⁾ Homebuilding gross margin percentage includes inventory impairment, which is included within inventory impairment and other on our condensed consolidated financial statements. No inventory impairments were recognized for the three and six months ended June 30, 2022 and we recognized nominal inventory impairment for the three and six months ended June 30, 2021.

Results of Operations by Segment

(dollars in thousands)

	New Homes Delivered		Average Sales Price of Homes Delivered		Home Sales Revenues		Income before Income Tax Expense	
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,	
	2022	2021	2022	2021	2022	2021	2022	2021
West	426	385	\$ 689.4	\$ 616.5	\$ 293,668	\$ 237,359	\$ 77,945	\$ 40,903
Mountain	458	611	600.9	473.1	275,214	289,058	51,500	55,814
Texas	363	477	337.5	273.9	122,530	130,641	25,327	19,139
Southeast	404	429	446.5	392.7	180,372	168,453	38,782	26,096
Century Complete	1,062	869	247.4	206.3	262,751	179,278	40,134	23,089
Financial Services	—	—	—	—	—	—	8,611	11,697
Corporate	—	—	—	—	—	—	(28,651)	(24,604)
Total	2,713	2,771	\$ 418.2	\$ 362.6	\$ 1,134,535	\$ 1,004,789	\$ 213,648	\$ 152,134

	New Homes Delivered		Average Sales Price of Homes Delivered		Home Sales Revenues		Income before Income Tax Expense	
	Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021	2022	2021	2022	2021
West	822	704	\$ 676.9	\$ 601.1	\$ 556,400	\$ 423,149	\$ 149,187	\$ 68,364
Mountain	972	1,296	571.9	446.9	555,869	579,123	108,503	107,794
Texas	729	805	338.5	271.3	246,786	218,380	45,898	27,670
Southeast	770	997	428.4	389.7	329,849	388,534	69,647	49,536
Century Complete	1,768	1,766	245.5	201.0	434,046	354,882	64,821	44,819
Financial Services	—	—	—	—	—	—	19,762	27,016
Corporate	—	—	—	—	—	—	(55,394)	(42,016)
Total	5,061	5,568	\$ 419.5	\$ 352.7	\$ 2,122,950	\$ 1,964,068	\$ 402,424	\$ 283,183

West

During the three and six months ended June 30, 2022, our West segment generated income before income tax expense of \$77.9 million and \$149.2 million, respectively, a 90.6% and 118.2% increase, respectively, over the respective prior year period. These increases were driven by increases in home sales revenue of \$56.3 million and \$133.3 million, respectively, and increases of 931 basis points and 1,066 basis points, respectively, in the percentage of income before income tax expense to home sales revenues, as a result of (1) increased revenue on a partially fixed cost base and (2) increased gross margins on home sales. The revenue increases during the three and six months ended June 30, 2022 were primarily generated by increases of 10.6% and 16.8% in the number of homes delivered, as well as increases of 11.8% and 12.6% in the average sales price per home. For both the three and six month comparisons, the increases in the number of homes delivered were driven by an increase in the number of open communities as compared to the prior year period and the average sales price increase were driven by the mix of deliveries within individual communities.

Mountain

During the three months ended June 30, 2022, our Mountain segment generated income before income tax expense of \$51.5 million, a 7.7% decrease over the respective prior year period. This decrease was primarily driven by a decrease in home sales revenue of \$13.8 million. During the six months ended June 30, 2022, our Mountain segment generated income before income tax expense of \$108.5 million, remaining relatively flat over the respective prior year period. Revenue decreased during the three and six months ended June 30, 2022, primarily driven by decreases of 25.0% and 25.0%, respectively, in the number of homes delivered, partially offset by increases of 27.0% and 28.0%, respectively, in the average sales price per home. For both the three and six month comparisons, the decreases in the number of homes delivered were driven by the timing of new community openings between the periods and the average sales price increases were driven by the mix of deliveries within individual communities.

Texas

During the three and six months ended June 30, 2022, our Texas segment generated income before income tax expense of \$25.3 million and \$45.9 million, respectively, a 32.3% and 65.9% increase, respectively, over the respective prior year period. During the three months ended June 30, 2022, the increase was driven by an increase of 602 basis points in the percentage of income before income tax expense to home sales revenues, as a result of increased gross margins on home sales, partially offset by a decrease in home sales revenue of \$8.1 million. The revenue decrease during the three months ended June 30, 2022 was primarily generated by a decrease of 23.9% in the number of homes delivered, partially offset by an increase of 23.2% in the average sales price per home. During the six months ended June 30, 2022, the increase in income before income tax expense was driven by an increase in home sales revenue of \$28.4 million and an increase of 593 basis points in the percentage of income before income tax expense to home sales revenues, as a result of (1) increased revenue on a partially fixed cost base and (2) increased gross margins on home sales. The revenue increase during the six months ended June 30, 2022 was primarily generated by an increase of 24.8% in the average sales price per home, partially offset by a 9.4% decrease in the number of homes delivered. For both the three and six month comparisons, the decreases in the number of homes delivered were driven by the timing of new community openings, and the average sales price increases were driven by the mix of deliveries within individual communities.

Southeast

During the three and six months ended June 30, 2022, our Southeast segment generated income before income tax expense of \$38.8 million and \$69.6 million, respectively, a 48.6% and 40.6% increase, respectively, over the respective prior year period. During the three months ended June 30, 2022, the increase was driven by an increase in home sales revenue of \$11.9 million and an increase of 601 basis points in the percentage of income before income tax expense to home sales revenues, as a result of (1) increased revenue on a partially fixed cost base and (2) increased gross margins on home sales. The revenue increase during the three months ended June 30, 2022 was primarily generated by an increase of 13.7% in the average sales price per home. During the six months ended June 30, 2022, the increase in income before income tax expense was driven by an increase of 837 basis points in the percentage of income before income tax expense to home sales revenues, as a result of increased gross margins on home sales, partially offset by a decrease in home sales revenue of \$58.7 million. The revenue decrease during the six months ended June 30, 2022 was primarily generated by a decrease of 22.8% in the number of homes delivered, partially offset by an increase of 9.9% in the average sales price per home. For both the three and six month comparisons, the decreases in the number of homes delivered were driven by timing of new community openings.

Century Complete

During the three and six months ended June 30, 2022, our Century Complete segment generated income before income tax expense of \$40.1 million and \$64.8 million, respectively, a 73.8% and 44.6% increase, respectively, over the respective prior year period. These increases were driven by increases in home sales revenue of \$83.5 million and \$79.2 million, respectively. The revenue increase during the three months ended June 30, 2022 was primarily generated by an increase of 22.2% in the number of homes delivered, driven by an increase in the number of open communities as compared to the prior year period, as well as an increase of 19.9% in the average sales price per home. The revenue increase during the six months ended June 30, 2022 was primarily generated by an increase of 22.1% in the average sales price per home. For both the three and six month comparisons, the average sales price increases were driven by the mix of deliveries within individual communities.

Financial Services

Our Financial Services segment originates mortgages for primarily our homebuyers, and as such, performance typically correlates to the number of homes delivered. Our Financial Services segment generated income before income tax of \$8.6 million for the three months ended June 30, 2022, a 26.4% decrease over the prior year period. This decrease was primarily the result of a \$7.1 million decrease in financial services revenue during the three months ended June 30, 2022 compared to the prior year period, due to (1) a 31.5% decrease to 1,465 in the number of mortgages originated during the three months ended June 30, 2022, due in part to a decrease in originations related to refinancing, and (2) reduced gain on sale margins on loans sold to third parties period over period. Our Financial Services segment generated income before income tax of \$19.8 million for the six months ended June 30, 2022, a 26.9% decrease over the prior year period. This decrease was primarily the result of a \$14.4 million decrease in financial services revenue during the six months ended June 30, 2022 compared to the prior year period, due to (1) a 32.8% decrease to 2,985 in the number of mortgages originated during the six months ended June 30, 2022, due in part to a decrease in originations related to refinancing, and (2) reduced gain on sale margins on loans sold to third parties period over period.

The following table presents selected operational data for our Financial Services segment in relation to our loan origination activities (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Total originations:				
Number of loans	1,465	2,138	2,985	4,439
Principal	\$ 528,646	\$ 661,853	\$ 1,080,701	\$ 1,374,144
Capture rate of Century homebuyers	70 %	74 %	74 %	75 %
Century Communities	77 %	78 %	79 %	81 %
Century Complete	57 %	66 %	60 %	62 %
Average FICO score	733	737	733	737
Century Communities	740	748	740	746
Century Complete	715	711	712	711
Loans sold to third parties:				
Number of loans sold	1,417	2,326	3,376	4,605
Principal	\$ 508,003	\$ 725,393	\$ 1,200,067	\$ 1,406,550

Corporate

During the three and six months ended June 30, 2022, our Corporate segment generated losses of \$28.7 million and \$55.4 million, respectively, as compared to losses of \$24.6 million and \$42.0 million, respectively, for the same respective period in 2021. This increase in losses is primarily attributed to higher compensation costs and other corporate costs to support our growth.

Homebuilding Gross Margin

(dollars in thousands)

Homebuilding gross margin represents home sales revenues less cost of home sales revenues and inventory impairment and other. Our homebuilding gross margin percentage, which represents homebuilding gross margin divided by home sales revenues, increased during the three and six months ended June 30, 2022 to 28.2%, as compared to 23.9% and 22.5%, respectively, for the same periods in 2021. This increase was driven by (1) our ability to increase sales price in excess of an increase in our labor and direct costs period over period, (2) benefits from our increased scale driving building efficiencies and streamlined production processes, and (3) the realization of less interest in cost of home sales revenue over the prior period.

In the following table, we calculate our homebuilding gross margin, as adjusted to exclude inventory impairment and other and interest in cost of home sales revenues.

	Three Months Ended June 30,			
	2022	%	2021	%
Home sales revenues	\$ 1,134,535	100.0 %	\$ 1,004,789	100.0 %
Cost of home sales revenues	(814,895)	(71.8) %	(764,668)	(76.1) %
Inventory impairment and other	—	— %	(41)	(0.0) %
Gross margin from home sales	319,640	28.2 %	240,080	23.9 %
Add: Inventory impairment and other	—	— %	41	0.0 %
Add: Interest in cost of home sales revenues	13,473	1.2 %	18,406	1.8 %
Adjusted homebuilding gross margin excluding interest and inventory impairment and other ⁽¹⁾	\$ 333,113	29.4 %	\$ 258,527	25.7 %

	Six Months Ended June 30,			
	2022	%	2021	%
Home sales revenues	\$ 2,122,950	100.0 %	\$ 1,964,068	100.0 %
Cost of home sales revenues	(1,523,968)	(71.8) %	(1,521,175)	(77.5) %
Inventory impairment and other	—	— %	(41)	(0.0) %
Gross margin from home sales	598,982	28.2 %	442,852	22.5 %
Add: Inventory impairment and other	—	— %	41	0.0 %
Add: Interest in cost of home sales revenues	25,619	1.2 %	36,783	1.9 %
Adjusted homebuilding gross margin excluding interest and inventory impairment and other ⁽¹⁾	\$ 624,601	29.4 %	\$ 479,676	24.4 %

⁽¹⁾ This non-GAAP financial measure should not be used as a substitute for the Company's operating results in accordance with GAAP. See the reconciliations to the most comparable GAAP measure and other information under "—Non-GAAP Financial Measures." An analysis of any non-GAAP financial measure should be used in conjunction with results presented in accordance with GAAP.

For the three and six months ended June 30, 2022, excluding inventory impairment and other, and interest in cost of home sales revenues, our adjusted homebuilding gross margin percentage was 29.4%, as compared to 25.7% and 24.4%, respectively, for the same periods in 2021. We believe the above information is meaningful as it isolates the impact that inventory impairment, indebtedness and acquisitions (if applicable) have on our homebuilding gross margin and allows for comparability of our homebuilding gross margins to previous periods and our competitors.

Selling, General and Administrative Expense

(dollars in thousands)

	Three Months Ended June 30,		Increase	
	2022	2021	Amount	%
Selling, general and administrative	\$ 109,158	\$ 99,656	\$ 9,502	9.5 %
As a percentage of home sales revenue	9.6 %	9.9 %		

	Six Months Ended June 30,		Increase	
	2022	2021	Amount	%
Selling, general and administrative	\$ 210,797	\$ 191,807	\$ 18,990	9.9 %
As a percentage of home sales revenue	9.9 %	9.8 %		

Our selling, general and administrative expense increased \$9.5 million and \$19.0 million, respectively, for the three and six months ended June 30, 2022 as compared to the same periods in 2021. These increases were primarily attributable to increases of \$8.5 million and \$17.4 million, respectively, in salaries and wages expense as compared to the same respective period in 2021 due to increased headcount, increased base pay due to market conditions, and increased incentive based compensation accruals, as well as increases in expenses in numerous areas to support our growth. The increases for the three and six months ended June 30, 2022 were partially offset by decreases in internal and external commission expense of \$2.7 million and \$8.4 million, respectively. During the three months ended June 30, 2022, our selling, general, and administrative expense decreased 30 basis points as a percentage of home sales revenue as compared to the same period in 2021, and during the six months ended June 30, 2022, our selling, general, and administrative expense increased slightly by 10 basis points as a percentage of home sales revenue as compared to the same period in 2021, which increase was partially offset by increased revenues on a partially fixed cost base.

Income Tax Expense

At the end of each interim period we are required to estimate our annual effective tax rate for the fiscal year, and to use that rate to provide for income taxes for the current year-to-date reporting period. Our 2022 estimated annual effective tax rate, before discrete items, of 25.6% is driven by our blended federal and state statutory rate of 24.8%, and certain permanent differences between GAAP and tax, including disallowed deductions for executive compensation which increased our rate by 0.8%.

For the six months ended June 30, 2022, our estimated annual rate of 25.6% was impacted by discrete items which had a net impact of decreasing our rate by 0.4%, including excess tax benefits for vested stock-based compensation and federal energy tax credits claimed on prior year home deliveries in excess of previous estimates.

Our estimated annual rate for the six months ended June 30, 2022 of 25.6% increased by 340 basis points as compared to our effective tax rate for the year ended December 31, 2021 of 22.2%. The increase in our estimated rate is driven by the expiration of the Energy Efficient Home Credit on December 31, 2021. The Energy Efficient Home Credit provided a \$2,000 tax credit for each home delivered that met the energy saving and certification requirements under the statute.

For the three months ended June 30, 2022 and 2021, we recorded income tax expense of \$55.0 million and \$34.2 million, respectively. For the six months ended June 30, 2022 and 2021, we recorded income tax expense of \$101.3 million and \$63.6 million, respectively.

Segment Assets

(dollars in thousands)

	June 30, 2022	December 31 2021	Increase (Decrease)	
			Amount	Change
West	\$ 816,300	\$ 668,830	\$ 147,470	22.0 %
Mountain	1,083,966	1,008,481	75,485	7.5 %
Texas	449,936	322,302	127,634	39.6 %
Southeast	439,321	360,644	78,677	21.8 %
Century Complete	491,925	371,096	120,829	32.6 %
Financial Services	351,300	533,159	(181,859)	(34.1)%
Corporate	139,987	232,364	(92,377)	(39.8)%
Total assets	\$ 3,772,735	\$ 3,496,876	\$ 275,859	7.9 %

Total assets increased to \$3.8 billion as of June 30, 2022 as compared to December 31, 2021, primarily as a result of overall growth of the Company and increased in investment in homebuilding inventory, partially offset by a decrease in Financial Services assets primarily related to a decrease in mortgage loans held for sale period over period. The decrease in our Corporate assets was driven by a decrease in our cash and cash equivalents, partially offset by increases related to Century Living.

Lots owned and controlled

	June 30, 2022			December 31, 2021			% Change		
	Owned	Controlled	Total	Owned	Controlled	Total	Owned	Controlled	Total
West	5,129	2,453	7,582	4,440	4,877	9,317	15.5 %	(49.7) %	(18.6) %
Mountain	11,706	3,653	15,359	11,860	8,039	19,899	(1.3) %	(54.6) %	(22.8) %
Texas	6,708	6,741	13,449	5,340	8,159	13,499	25.6 %	(17.4) %	(0.4) %
Southeast	6,123	14,209	20,332	5,928	14,195	20,123	3.3 %	0.1 %	1.0 %
Century Complete	5,467	13,362	18,829	5,287	11,734	17,021	3.4 %	13.9 %	10.6 %
Total	35,133	40,418	75,551	32,855	47,004	79,859	6.9 %	(14.0) %	(5.4) %

Of our total lots owned and controlled as of June 30, 2022, 46.5% were owned and 53.5% were controlled, as compared to 41.1% owned and 58.9% controlled as of December 31, 2021. The decrease in the number of controlled lots was driven by the termination of certain contracts in our markets that did not meet our investment criteria.

Other Homebuilding Operating Data

Net new home contracts

	Three Months Ended				Six Months Ended			
	June 30,		Increase (Decrease)		June 30,		Increase (Decrease)	
	2022	2021	Amount	% Change	2022	2021	Amount	% Change
West	248	497	(249)	(50.1) %	665	891	(226)	(25.4) %
Mountain	478	617	(139)	(22.5) %	1,064	1,564	(500)	(32.0) %
Texas	274	399	(125)	(31.3) %	686	917	(231)	(25.2) %
Southeast	415	288	127	44.1 %	824	764	60	7.9 %
Century Complete	818	1,319	(501)	(38.0) %	1,938	2,439	(501)	(20.5) %
Total	2,233	3,120	(887)	(28.4) %	5,177	6,575	(1,398)	(21.3) %

Net new home contracts (new home contracts net of cancellations) for the three months ended June 30, 2022 decreased by 887 homes, or 28.4%, to 2,233, as compared to 3,120 for the same period in 2021. Net new home contracts for the six months ended June 30, 2022 decreased by 1,398 homes, or 21.3%, to 5,177, as compared to 6,575 for the same period in 2021. During the second quarter of 2022 we experienced a moderation of home sales pace across our markets as compared to prior periods. These decreases were primarily driven by the impact on demand for new homes of increasing interest rates, rising inflation, and macro-economic uncertainty, and to some extent, an increase in cancellations primarily due to interest rate increases.

Monthly absorption rate

Our overall monthly “absorption rate” (the rate at which home orders are contracted, net of cancelations) for the three and six months ended June 30, 2022 and 2021 by segment are included in the tables below:

	Three Months Ended June 30,		Increase (Decrease)	
	2022	2021	Amount	% Change
West	3.8	9.7	(5.9)	(60.8) %
Mountain	4.8	7.6	(2.8)	(36.8) %
Texas	4.2	9.5	(5.3)	(55.8) %
Southeast	6.0	4.4	1.6	36.4 %
Century Complete	2.4	4.2	(1.8)	(42.9) %
Total	3.5	5.7	(2.2)	(38.6) %

	Six Months Ended June 30,		Increase (Decrease)	
	2022	2021	Amount	% Change
West	5.0	8.7	(3.7)	(42.5) %
Mountain	5.4	9.7	(4.3)	(44.3) %
Texas	5.2	10.9	(5.7)	(52.3) %
Southeast	6.0	5.8	0.2	3.4 %
Century Complete	2.9	3.9	(1.0)	(25.6) %
Total	4.1	6.0	(1.9)	(31.7) %

During the three and six months ended June 30, 2022, our absorption rates decreased by 38.6% and 31.7%, respectively, to 3.5 and 4.1 per month, respectively, as compared to the same periods in 2021. During the second quarter of 2022, we experienced a moderation of sales pace across our markets compared to prior periods. The second quarter 2022 decrease in sales pace was consistent with trends seen in the overall housing market, as increases in interest rates on mortgages, rising inflation, and macro-economic uncertainty caused demand to decrease from the historically strong market conditions experienced since the second quarter of 2020.

Selling communities at period end

	As of June 30,		Increase/(Decrease)	
	2022	2021	Amount	% Change
West	22	17	5	29.4 %
Mountain	33	27	6	22.2 %
Texas	22	14	8	57.1 %
Southeast	23	22	1	4.5 %
Century Complete	113	104	9	8.7 %
Total	213	184	29	15.8 %

Our selling communities increased to 213 communities at June 30, 2022 as compared to 184 at June 30, 2021. This increase was a result of new community openings.

Backlog

(dollars in thousands)

	As of June 30,						% Change		
	2022			2021					
	Homes	Dollar Value	Average Sales Price	Homes	Dollar Value	Average Sales Price	Homes	Dollar Value	Average Sales Price
West	367	\$ 294,274	\$ 801.8	673	\$ 440,008	\$ 653.8	(45.5) %	(33.1) %	22.6 %
Mountain	1,137	632,865	556.6	1,057	544,365	515.0	7.6 %	16.3 %	8.1 %
Texas	343	128,574	374.9	497	182,080	366.4	(31.0) %	(29.4) %	2.3 %
Southeast	767	349,120	455.2	568	230,558	405.9	35.0 %	51.4 %	12.1 %
Century Complete	2,153	572,727	266.0	1,651	365,454	221.4	30.4 %	56.7 %	20.1 %
Total / Weighted Average	4,767	\$ 1,977,560	\$ 414.8	4,446	\$ 1,762,465	\$ 396.4	7.2 %	12.2 %	4.6 %

Backlog reflects the number of homes, net of cancellations, for which we have entered into a sales contract with a customer but for which we have not yet delivered the home. At June 30, 2022, we had 4,767 homes in backlog with a total value of \$2.0 billion, which represents increases of 7.2% and 12.2%, respectively, as compared to 4,446 homes in backlog with a total value of \$1.8 billion at June 30, 2021. The increase in backlog dollar value is primarily attributable to the increase in backlog units and a 4.6% increase in the average sales price of homes in backlog.

Supplemental Guarantor Information

Our 6.750% senior notes due 2027 (which we collectively refer to as our “2027 Notes”) and our 3.875% senior notes due 2029 (which we collectively refer to as our “2029 Notes” and together with the 2027 Notes, the “Senior Notes”) are our unsecured senior obligations and are fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by substantially all of our direct and indirect wholly-owned operating subsidiaries (which we refer to collectively as “Guarantors”). In addition, our former 5.875% senior notes due 2025 (which we collectively refer to as our “2025 Notes”), which were extinguished during the year ended December 31, 2021, were our unsecured senior obligations and were fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by the Guarantors. Our subsidiaries associated with our Financial Services operations (referred to as “Non-Guarantors”) do not guarantee the Senior Notes. The guarantees are senior unsecured obligations of the Guarantors that rank equal with all existing and future senior debt of the Guarantors and senior to all subordinated debt of the Guarantors. The guarantees are effectively subordinated to any secured debt of the Guarantors. As of June 30, 2022, Century Communities, Inc. had outstanding \$1.0 billion in total principal amount of Senior Notes.

Each of the indentures governing our Senior Notes provides that the guarantees of a Guarantor will be automatically and unconditionally released and discharged: (1) upon any sale, transfer, exchange or other disposition (by merger, consolidation or otherwise) of all of the equity interests of such Guarantor after which the applicable Guarantor is no longer a “Restricted Subsidiary” (as defined in the respective indentures), which sale, transfer, exchange or other disposition does not constitute an “Asset Sale” (as defined in the respective indentures) or is made in compliance with applicable provisions of the applicable indenture; (2) upon any sale, transfer, exchange or other disposition (by merger, consolidation or otherwise) of all of the assets of such Guarantor, which sale, transfer, exchange or other disposition does not constitute an Asset Sale or is made in compliance with applicable provisions of the applicable indenture; provided, that after such sale, transfer, exchange or other disposition, such Guarantor is an “Immaterial Subsidiary” (as defined in the respective indentures); (3) unless a default has occurred and is continuing, upon the release or discharge of such Guarantor from its guarantee of any indebtedness for borrowed money of the Company and the Guarantors so long as such Guarantor would not then otherwise be required to provide a guarantee pursuant to the applicable indenture; provided that if such Guarantor has incurred any indebtedness in reliance on its status as a Guarantor in compliance with applicable provisions of the applicable Indenture, such Guarantor’s obligations under such indebtedness, as the case may be, so incurred are satisfied in full and discharged or are otherwise permitted to be incurred by a Restricted Subsidiary (other than a Guarantor) in compliance with applicable provisions of the applicable Indenture; (4) upon the designation of such Guarantor as an “Unrestricted Subsidiary” (as defined in the respective Indentures), in accordance with the applicable indenture; (5) if the Company exercises its legal defeasance option or covenant defeasance option under the applicable indenture or if the obligations of the Company and the Guarantors are discharged in compliance with applicable provisions of the applicable indenture, upon such exercise or discharge; or (6) in connection with the dissolution of such Guarantor under applicable law in accordance with the applicable indenture. The indenture governing our former 2025 Notes contained a similar provision.

If a guarantor were to become a debtor in a case under the US Bankruptcy Code, a court may decline to enforce its guarantee of the Senior Notes. This may occur when, among other factors, it is found that the guarantor originally received less than fair consideration for the guarantee and the guarantor would be rendered insolvent by enforcement of the guarantee. On the basis of historical financial information, operating history and other factors, we believe that each of the guarantors, after giving effect to the issuance of its guarantee of the Senior Notes when the guarantee was issued, was not insolvent and did not and has not incurred debts beyond its ability to pay such debts as they mature. The Company cannot predict, however, what standard a court would apply in making these determinations or that a court would agree with our conclusions in this regard.

Only the 2027 Notes and the related guarantees are, and the former 2025 Notes and the related guarantees were, registered securities under the Securities Act of 1933, as amended (the “Securities Act”). The offer and sale of the 2029 Notes and the related guarantees were not and will not be registered under the Securities Act or the securities laws of any other jurisdiction and instead were issued in reliance upon an exemption from such registration. Unless they are subsequently registered under the Securities Act, neither the 2029 Notes nor the related guarantees may be offered and sold only in transactions that are exempt from the registration requirements under the Securities Act and the applicable securities laws of any other jurisdiction.

As the guarantees for the 2027 Notes and the guarantees for the former 2025 Notes were made in connection with the issuance of the 2027 Notes and former 2025 Notes and exchange offers effected under the Securities Act in February 2015, October 2015 and April 2017, the Guarantors’ condensed supplemental financial information is presented in this report as if the guarantees existed during the periods presented pursuant to applicable SEC rules and guidance. If any Guarantors are released from the guarantees in future periods,

the changes are reflected prospectively. We have determined that separate, full financial statements of the Guarantors would not be material to investors, and accordingly, supplemental financial information is presented below.

The following summarized financial information is presented for Century Communities, Inc. and the Guarantor Subsidiaries on a combined basis after eliminating intercompany transactions and balances among Century Communities, Inc. and the Guarantor Subsidiaries, as well as their investment in, and equity in earnings from Non-Guarantor Subsidiaries.

Century Communities, Inc. and Guarantor Subsidiaries

Summarized Balance Sheet Data (in thousands)	June 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 3,626	\$ 180,843
Cash held in escrow	82,494	52,297
Accounts receivable	55,638	39,492
Inventories	3,002,338	2,456,614
Prepaid expenses and other assets	203,169	160,999
Property and equipment, net	26,709	24,220
Deferred tax assets, net	19,356	21,239
Goodwill	30,395	30,395
Total assets	<u>\$ 3,423,725</u>	<u>\$ 2,966,099</u>
Liabilities and stockholders' equity		
Liabilities:		
Accounts payable	\$ 115,617	\$ 82,734
Accrued expenses and other liabilities	391,932	288,229
Notes payable	1,009,631	998,936
Revolving line of credit	141,000	—
Total liabilities	1,658,180	1,369,899
Stockholders' equity:	1,765,545	1,596,200
Total liabilities and stockholders' equity	<u>\$ 3,423,725</u>	<u>\$ 2,966,099</u>

Summarized Statements of Operations Data (in thousands)	Six Months Ended June 30, 2022	Year Ended December 31, 2021
Total homebuilding revenues	\$ 2,133,390	\$ 4,092,576
Total homebuilding cost of revenues	(1,532,826)	(3,095,363)
Selling, general and administrative	(210,797)	(389,610)
Loss on debt extinguishment	—	(14,458)
Inventory impairment and other	—	(41)
Other income (expense)	(6,209)	(3,307)
Income before income tax expense	383,558	589,797
Income tax expense	(96,513)	(131,201)
Net income	<u>\$ 287,045</u>	<u>\$ 458,596</u>

Critical Accounting Policies

Critical accounting estimates are those that we believe are both significant and require us to make difficult, subjective or complex judgments, often because we need to estimate the effect of inherently uncertain matters. We base our estimates and judgments on historical experiences and various other factors that we believe to be appropriate under the circumstances. Actual results may differ from these estimates, and the estimates included in our financial statements might be impacted if we used different assumptions or conditions. A summary of our critical accounting policies is included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on February 3, 2022, in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies.”

Liquidity and Capital Resources

Overview

Our liquidity, consisting of our cash and cash equivalents and cash held in escrow and Credit Facility availability, was \$819.5 million as of June 30, 2022, compared to \$1.2 billion as of December 31, 2021.

Our principal uses of capital for the three and six months ended June 30, 2022 were our land purchases, land development, home construction, share repurchases, and the payment of routine liabilities. We increased our investment in homebuilding inventory during 2022, which resulted in 35,133 lots owned at June 30, 2022, a 6.9% increase as compared to December 31, 2021.

Cash flows for each of our communities depend on the stage in the development cycle and can differ substantially from reported earnings. Early stages of development or expansion require significant cash outlays for land acquisitions, entitlements and other approvals, and construction of model homes, roads, utilities, general landscaping and other amenities. Because these costs are a component of our inventory and not recognized in our consolidated statements of operations until a home closes, we incur significant cash outlays prior to our recognition of earnings. In the later stages of community development, cash inflows may significantly exceed earnings reported for financial statement purposes, as the cash outflow associated with home and land construction was previously incurred. From a liquidity standpoint, we are actively acquiring and developing lots in our markets to maintain and grow our lot supply and active selling communities. As we continue to expand our business, our cash outlays for land purchases and land development to grow our lot inventory may exceed our cash generated by operations.

Under our shelf registration statement, which we filed with the SEC on July 1, 2021 and was automatically effective upon filing, we have the ability to access the debt and equity capital markets in registered transactions from time to time and as needed as part of our ongoing financing strategy and subject to market conditions. In August 2021, we filed a prospectus supplement to offer up to \$100.0 million under the shelf registration statement under our at-the-market facility described below.

Short-term Liquidity and Capital Resources

We use funds generated by operations, available borrowings under our Credit Facility, and proceeds from issuances of debt or equity, including our current at-the-market facility, to fund our short term working capital obligations and fund our purchases of land, as well as land development, home construction activities, and other cash needs.

Our Financial Services operations use funds generated from operations, and availability under our mortgage repurchase facilities to finance its operations including originations of mortgage loans to our homebuyers.

Our Century Living operations use excess cash from our operations as well as project specific secured financing to fund development of multi-family projects.

We believe that we will be able to fund our current liquidity needs for at least the next twelve months with our cash on hand, cash generated from operations, and cash expected to be available from our revolving line of credit or through accessing debt or equity capital, as needed or appropriate, although no assurance can be provided that such additional debt or equity capital will be available or on acceptable terms, especially in light of the current COVID-19 pandemic, the macro-economy, and market conditions at the time. While the impact of the COVID-19 pandemic will continue to evolve, we believe we are well positioned from a cash and liquidity standpoint to not only operate in an uncertain environment, but also continue to grow with the market and pursue other ways to properly deploy capital to enhance returns, which may include taking advantage of strategic opportunities as they arise.

Long-term Liquidity and Capital Resources

Beyond the next twelve months, we believe that our principal uses of capital will be land and inventory purchases and other expenditures to invest in our future growth, as well as principal and interest payments on our long-term debt obligations. We believe that we will be able to fund our long-term liquidity needs with cash generated from operations and cash expected to be available from our revolving

line of credit or through accessing debt or equity capital, as needed or appropriate, although no assurance can be provided that such additional debt or equity capital will be available. To the extent these sources of capital are insufficient to meet our needs, we may also conduct additional public or private offerings of our securities, refinance debt, or dispose of certain assets to fund our operating activities and capital needs.

Material Cash Requirements

In the normal course of business, we enter into contracts and commitments that obligate us to make payments in the future. These obligations impact our short-term and long-term liquidity and capital resource needs. For the three and six months ended June 30, 2022, there were no material changes to the contractual obligations we previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 that was filed with the SEC on February 3, 2022.

In the ordinary course of business, we enter into land purchase contracts in order to procure lots for the construction of our homes. We are subject to customary obligations associated with entering into contracts for the purchase of land and improved lots. Purchase and option contracts for the purchase of land enable us to defer acquiring portions of properties owned by third parties until we have determined whether to exercise our option, which may serve to reduce our financial risks associated with long-term land holdings. These purchase contracts typically require a cash deposit, and the purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements, including obtaining applicable property and development entitlements. We also utilize option contracts with land sellers and others as a method of acquiring land in staged takedowns, to help us manage the financial and market risk associated with land holdings, and to reduce the use of funds from our corporate financing sources. Option contracts generally require payment by us of a non-refundable deposit for the right to acquire lots over a specified period of time at pre-determined prices. Our obligations with respect to purchase contracts and option contracts are generally limited to the forfeiture of the related non-refundable cash deposits.

As of June 30, 2022, we had outstanding purchase contracts and option contracts for 40,418 lots, totaling approximately \$1.7 billion, and we had \$66.8 million of deposits for land contracts, of which \$36.5 million were non-refundable cash deposits pertaining to land contracts. Subject to the terms of the outstanding contracts continuing to meet our investment criteria, we currently anticipate performing on the majority of the purchase and option contracts during the next twelve to eighteen months, with performance on the remaining purchase and option contracts occurring in future periods. Our performance, including the timing and amount of purchase, if any, under these outstanding purchase and option contracts is subject to change and dependent on future market conditions.

Our utilization of land option contracts is dependent on, among other things, the availability of land sellers willing to enter into option takedown arrangements, the availability of capital to financial intermediaries to finance the development of optioned lots, general housing market conditions, and local market dynamics. Options may be more difficult to procure from land sellers in strong housing markets and are more prevalent in certain geographic regions.

Outstanding Debt Obligations and Debt Service Requirements

Our outstanding debt obligations included the following as of June 30, 2022 and December 31, 2021 (in thousands):

	June 30, 2022	December 31, 2021
3.875% senior notes, due August 2029 ⁽¹⁾	\$ 494,503	\$ 494,117
6.750% senior notes, due May 2027 ⁽¹⁾	495,985	495,581
Other financing obligations ⁽²⁾	19,143	9,238
Notes payable	1,009,631	998,936
Revolving line of credit	141,000	—
Mortgage repurchase facilities	209,001	331,876
Total debt	\$ 1,359,632	\$ 1,330,812

⁽¹⁾ The carrying value of the senior notes reflects the impact of premiums, discounts, and issuance costs that are amortized to interest cost over the respective terms of the senior notes.

⁽²⁾ As of June 30, 2022, other financing obligations included \$18.2 million related to insurance premium notes and certain secured borrowings, as well as \$0.9 million outstanding under the Construction Loan Agreement. As of June 30, 2021, other financing obligations included \$9.2 million related to insurance premium notes and certain secured borrowings.

A summary of our debt obligations is included in Note 9 to our consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on February 3, 2022 and in Note 8 to our condensed consolidated financial statements in this Form 10-Q.

We may from time to time seek to refinance or increase our outstanding debt or retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may or may not be material during any particular reporting period.

Letters of Credit and Performance Bonds

In the normal course of business, we post letters of credit and performance and other bonds primarily related to our land development performance obligations with local municipalities. As of June 30, 2022 and December 31, 2021, we had \$564.0 million and \$492.5 million, respectively, in letters of credit and performance and other bonds issued and outstanding. Although significant development and construction activities have been completed related to the improvements at these sites, the letters of credit and performance and other bonds are not generally released until all development and construction activities are completed.

Construction Loan Agreement

On March 17, 2022, a wholly owned subsidiary of Century Living entered into a Construction Loan Agreement with U.S. Bank National Association, a national banking association, d/b/a Housing Capital Company (which we refer to as “the Lender”). The Construction Loan Agreement provides that we may borrow up to \$80.0 million from the Lender for purposes of construction of a multi-family project in Colorado, with advances made by the Lender upon the satisfaction of certain conditions. Borrowings under the Construction Loan Agreement bear interest at a rate per annum equal to a forward-looking term rate based on the secured overnight financing rate (which we refer to as “SOFR”) plus 210 basis points. The outstanding principal balance and all accrued and unpaid interest is due on the maturity date of March 17, 2026, and prepayments of the unpaid principal balance and accrued interest may be prepaid in full or in part, without premium or penalty. We have the option to extend the maturity date for a period of 12 months if certain conditions are satisfied. The Construction Loan Agreement contains customary affirmative and negative covenants (including covenants related to construction completion, and limitations on the use of loan proceeds, transfers of land, equipment, and improvements), as well as customary events of default.

As of June 30, 2022, \$0.9 million was outstanding under the Construction Loan Agreement, and we were in compliance with all covenants thereunder.

Revolving Line of Credit

On May 21, 2021, we entered into a Second Amended and Restated Credit Agreement (which we refer to as the “Second A&R Credit Agreement”) with, Texas Capital Bank, National Association, as Administrative Agent and L/C Issuer, and the lenders party thereto. The Second A&R Credit Agreement, which amended and restated the Amended and Restated Credit Agreement, provides us with a senior unsecured revolving line of credit (which we refer to as the “Credit Facility”) of up to \$800 million, and unless terminated earlier, will mature on April 30, 2026. The Credit Facility includes a \$250.0 million sublimit for standby letters of credit. Under the terms of the Second A&R Credit Agreement, the Company is entitled to request an increase in the size of the Credit Facility by an amount not exceeding \$200 million. Our obligations under the Second A&R Credit Agreement are guaranteed by certain of our subsidiaries. The Second A&R Credit Agreement contains customary affirmative and negative covenants (including limitations on our ability to grant liens, incur additional debt, pay dividends, redeem our common stock, make certain investments and engage in certain merger, consolidation or asset sale transactions), as well as customary events of default. Borrowings under the Second A&R Credit Agreement bear interest at a floating rate equal to the adjusted Eurodollar Rate plus an applicable margin between 2.05% and 2.65% per annum, and if made available in the Administrative Agent’s discretion, a base rate plus an applicable margin between 1.05% and 1.65% per annum.

As of June 30, 2022, we had \$141.0 million outstanding under the Credit Facility and were in compliance with all covenants under the Second A&R Credit Agreement.

Mortgage Repurchase Facilities – Financial Services

On May 4, 2018, September 14, 2018, and August 1, 2019, Inspire entered into mortgage warehouse facilities, with Comerica Bank, J.P. Morgan, and Wells Fargo, respectively. The mortgage warehouse lines of credit (which we refer to as the “Repurchase Facilities”), which were increased during 2020, provide Inspire with uncommitted repurchase facilities of up to an aggregate of \$325.0 million as of June 30, 2022, secured by the mortgage loans financed thereunder. The Repurchase Facilities have varying short term maturity dates through August 23, 2022 and bear a weighted average interest rate of 2.938%.

Amounts outstanding under the Repurchase Facilities are not guaranteed by us or any of our subsidiaries and the agreements contain various affirmative and negative covenants applicable to Inspire that are customary for arrangements of this type. As of June 30, 2022, we had \$209.0 million outstanding under these Repurchase Facilities and were in compliance with all covenants thereunder.

During the three and six months ended June 30, 2022, we incurred interest expense on the Repurchase Facilities of \$0.4 million and \$0.6 million, respectively. During the same periods in 2021, we incurred interest expense on the Repurchase Facilities of \$0.8 million and \$1.4 million, respectively. Interest expense on the Repurchase Facilities is included in financial services costs on our condensed consolidated statements of operations.

At-the-Market Offerings

On November 27, 2019, we entered into a Distribution Agreement with J.P. Morgan Securities LLC, BofA Securities, Inc., Citigroup Global Markets Inc., and Fifth Third Securities, Inc. (which we refer to as the “Distribution Agreement”), as sales agents pursuant to which we may offer and sell shares of our common stock having an aggregate offering price of up to \$100.0 million from time to time through any of the sales agents party thereto in “at-the-market” offerings, in accordance with the terms and conditions set forth in the Distribution Agreement. This Distribution Agreement, which superseded and replaced a prior similar distribution agreement, and was amended in July 2021 to acknowledge our filing of a new registration statement on Form S-3 registering the issuance and sale of shares of our common stock under the Distribution Agreement and replace Citigroup Global Markets Inc. with Wells Fargo Securities, LLC as a sales agent, had all \$100.0 million available for sale as of June 30, 2022. We did not sell or issue any shares of our common stock during the three and six months ended June 30, 2022 and 2021, respectively. The Distribution Agreement will remain in full force and effect until terminated by either party pursuant to the terms of the agreement or such date that the maximum offering amount has been sold in accordance with the terms of the agreement.

Stock Repurchase Program

On November 6, 2018, our Board of Directors authorized a stock repurchase program, under which we may repurchase up to 4.5 million shares of our outstanding common stock. The shares may be repurchased from time to time in open market transactions at prevailing market prices, in privately negotiated transactions or by other means in accordance with federal securities laws. The actual manner, timing, amount and value of repurchases under the stock repurchase program will be determined by management at its discretion and will depend on a number of factors, including the market price of our common stock, trading volume, other capital management objectives and opportunities, applicable legal requirements, and general market and economic conditions.

We intend to finance any stock repurchases through available cash and our Credit Facility. Repurchases also may be made under a trading plan under Rule 10b5-1 under the Securities Exchange Act of 1934, which would permit shares to be repurchased when we otherwise may be precluded from doing so because of self-imposed trading blackout periods or other regulatory restrictions. The stock repurchase program has no expiration date and may be extended, suspended or discontinued by our Board of Directors at any time without notice at our discretion. All shares of common stock repurchased under the program will be cancelled and returned to the status of authorized but unissued shares of common stock.

During the three and six months ended June 30, 2022, an aggregate of 0.8 million and 1.8 million shares, respectively, of our common stock were repurchased for a total purchase price of approximately \$35.9 million and \$98.3 million, respectively, and a weighted average price of \$45.42 and \$54.46 per share, respectively. During the three and six months ended June 30, 2021, we did not repurchase any shares of our common stock. The maximum number of shares available to be purchased under the stock repurchase program as of June 30, 2022 was 2,008,994 shares.

Dividends

The following table sets forth cash dividends declared by our Board of Directors to holders of record of our common stock during the six months ended June 30, 2022, (in thousands, except per share information):

Declaration Date	Record Date	Payable Date	Cash Dividends Declared	
			Per Share	Amount
February 16, 2022	March 2, 2022	March 16, 2022	\$ 0.20	\$ 6,657
May 18, 2022	June 1, 2022	June 15, 2022	\$ 0.20	\$ 6,568

The declaration and payment of future cash dividends on our common stock, whether at current levels or at all, are at the discretion of our Board of Directors and depend upon, among other things, our expected future earnings, cash flows, capital requirements, access to external financing, debt structure and any adjustments thereto, operational and financial investment strategy and general financial condition, as well as general business conditions.

Cash Flows— Six Months Ended June 30, 2022 Compared to the Six Months Ended June 30, 2021

For the six months ended June 30, 2022 and 2021, the comparison of cash flows is as follows:

- Our primary sources of cash flows from operations are from the sale of single-family attached and detached homes and mortgages. Our primary uses of cash flows from operations are the acquisition of land and expenditures associated with the construction of our single-family attached and detached homes and the origination of mortgages held for sale. Net cash used in operating activities was \$102.9 million during the six months ended June 30, 2022 as compared to net cash provided by operating activities of \$143.4 million during 2021. The increase in cash used in operations is primarily a result of increased investment in our homebuilding inventories for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021, partially offset by a decrease in originations of mortgage loans held for sale and a \$81.6 million increase in net income during six months ended June 30, 2022 as compared to the six months ended June 30, 2021.
- Net cash used in investing activities increased to \$25.3 million during the six months ended June 30, 2022, compared to \$4.4 million used during the same period in 2021. The increase was primarily related to expenditures related to the development, construction, and management of multi-family rental properties by our wholly owned subsidiary Century Living.
- Net cash used in financing activities decreased to \$96.3 million during the six months ended June 30, 2022, compared to net cash used by financing activities of \$112.5 million during the same period in 2021. The decrease in cash used in financing activities was primarily attributable to a \$141.0 million cash inflow from borrowings under our revolving line of credit for the six months ended June 30, 2022 compared to no revolving line of credit borrowings outstanding for the six months ended June 30, 2021 partially offset by (1) a \$23.6 million increase in net payments on the Repurchase Facilities (2) a \$98.3 million increase in repurchases of our common stock and (3) an \$8.2 million increase in dividend payments during the six months ended June 30, 2022 compared to the six months ended June 30, 2021.

As of June 30, 2022, our cash and cash equivalents and restricted cash balance was \$97.8 million.

Non-GAAP Financial Measures

In this Form 10-Q, we use certain non-GAAP financial measures, including EBITDA, Adjusted EBITDA, net homebuilding debt to net capital, and adjusted net earnings per diluted common shares. These non-GAAP financial measures are presented to provide investors additional information to facilitate the comparison of our past and present operations. We believe these non-GAAP financial measures provide useful information to investors because they are used to evaluate our performance on a comparable year-over-year basis. These non-GAAP financial measures are not in accordance with, or an alternative for, GAAP measures and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures are not based on any comprehensive or standard set of accounting rules or principles. Accordingly, the calculation of our non-GAAP financial measures may differ from the definitions of other companies using the same or similar names limiting, to some extent, the usefulness of such measures for comparison purposes. Non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with our financial results as determined in accordance with GAAP. These measures should only be used to evaluate our financial results in conjunction with the corresponding GAAP measures. Accordingly, we qualify our use of non-GAAP financial information in a statement when non-GAAP financial information is presented.

EBITDA and Adjusted EBITDA

The following table presents EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2022 and 2021. Adjusted EBITDA is a non-GAAP financial measure we use as a supplemental measure in evaluating operating performance. We define Adjusted EBITDA as consolidated net income before (i) income tax expense, (ii) interest in cost of home sales revenues, (iii) other interest expense, (iv) depreciation and amortization expense, (v) loss on debt extinguishment, and (vi) inventory impairment and other. We believe Adjusted EBITDA provides an indicator of general economic performance that is not affected by fluctuations in interest rates or effective tax rates, levels of depreciation or amortization, and items considered to be non-recurring. Accordingly, our management believes that this measurement is useful for comparing general operating performance from period to period. Adjusted EBITDA should be considered in addition to, and not as a substitute for, consolidated net income in accordance with GAAP as a measure of performance. Our presentation of Adjusted EBITDA should not be construed as an indication that our future results will be unaffected by unusual or non-recurring items. Our Adjusted EBITDA is limited as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

(dollars in thousands)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Net income	\$ 158,668	\$ 117,910	34.6 %	\$ 301,164	\$ 219,562	37.2 %
Income tax expense	54,980	34,224	60.6 %	101,260	63,621	59.2 %
Interest in cost of home sales revenues	13,473	18,406	(26.8) %	25,619	36,783	(30.4) %
Interest expense (income)	(147)	(172)	(14.5) %	(12)	(283)	(95.8) %
Depreciation and amortization expense	2,746	2,849	(3.6) %	5,352	5,655	(5.4) %
EBITDA	229,720	173,217	32.6 %	433,383	325,338	33.2 %
Inventory impairment and other	—	41	NM	—	41	NM
Adjusted EBITDA	\$ 229,720	\$ 173,258	32.6 %	\$ 433,383	\$ 325,379	33.2 %

NM – Not Meaningful

Net Homebuilding Debt to Net Capital

The following table presents our ratio of net homebuilding debt to net capital, which is a non-GAAP financial measure. We calculate this by dividing net homebuilding debt (homebuilding debt less cash and cash equivalents, and cash held in escrow) by net capital (net homebuilding debt plus total stockholders' equity). Homebuilding debt is our total debt minus our outstanding borrowings under our Construction Loan Agreement and our Repurchase Facilities. The most directly comparable GAAP measure is the ratio of debt to total capital. We believe the ratio of net homebuilding debt to net capital is a relevant and useful financial measure to investors in understanding the leverage employed in our operations and as an indicator of our ability to obtain external financing.

(dollars in thousands)

	June 30, 2022	December 31, 2021
Notes payable	\$ 1,009,631	\$ 998,936
Revolving line of credit	141,000	—
Construction loan agreement	(917)	—
Total homebuilding debt	1,149,714	998,936
Total stockholders' equity	1,951,164	1,764,508
Total capital	\$ 3,100,878	\$ 2,763,444
Homebuilding debt to capital	37.1%	36.1%
Total homebuilding debt	\$ 1,149,714	\$ 998,936
Cash and cash equivalents	(78,011)	(316,310)
Cash held in escrow	(82,494)	(52,297)
Net homebuilding debt	989,209	630,329
Total stockholders' equity	1,951,164	1,764,508
Net capital	\$ 2,940,373	\$ 2,394,837
Net homebuilding debt to net capital	33.6%	26.3%

Adjusted Net Income and Adjusted Diluted Earnings per Share

Adjusted Net Income and Adjusted Diluted Earnings per Share (which we refer to as “Adjusted EPS”) are non-GAAP financial measures that we believe are useful to management, investors and other users of our financial information in evaluating our operating results and understanding our operating trends without the effect of certain non-recurring items. We believe excluding certain non-recurring items provides more comparable assessment of our financial results from period to period. We define Adjusted Net Income as consolidated net income before (i) income tax expense, (ii) inventory impairment and other (iii) restructuring costs, and (iv) loss on debt extinguishment, less adjusted income tax expense, calculated using the Company’s estimated annual effective tax rate after discrete items for the applicable period. Adjusted Diluted EPS is calculated by excluding the effect of loss on inventory impairment and other, restructuring costs and loss on debt extinguishment from the calculation of reported EPS.

(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator				
Net income	\$ 158,668	\$ 117,910	\$ 301,164	\$ 219,562
Denominator				
Weighted average common shares outstanding - basic	32,839,402	33,738,586	33,183,097	33,651,727
Dilutive effect of restricted stock units	387,981	218,052	399,803	269,212
Weighted average common shares outstanding - diluted	33,227,383	33,956,638	33,582,900	33,920,939
Earnings per share:				
Basic	\$ 4.83	\$ 3.49	\$ 9.08	\$ 6.52
Diluted	\$ 4.78	\$ 3.47	\$ 8.97	\$ 6.47
Adjusted earnings per share				
Numerator				
Net income	\$ 158,668	\$ 117,910	\$ 301,164	\$ 219,562
Income tax expense	54,980	34,224	101,260	63,621
Income before income tax expense	213,648	152,134	402,424	283,183
Inventory impairment and other	—	41	—	41
Adjusted income before income tax expense	213,648	152,175	402,424	283,224
Adjusted income tax expense ⁽¹⁾	(54,980)	(34,188)	(101,260)	(63,630)
Adjusted net income	\$ 158,668	\$ 117,987	\$ 301,164	\$ 219,594
Denominator - Diluted	33,227,383	33,956,638	33,582,900	33,920,939
Adjusted diluted earnings per share	\$ 4.78	\$ 3.47	\$ 8.97	\$ 6.47

⁽¹⁾ The tax rates used in calculating adjusted net income for the three and six months ended June 30, 2022 was 25.7% and 25.2%, respectively, and for the three and six months ended June 30, 2021 was 22.5%, which are reflective of the Company’s GAAP tax rates for the applicable periods.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rates

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. Our primary exposure to market risk is interest rate risks associated with our Second A&R Credit Agreement and Construction Loan Agreement.

Borrowings under the Second A&R Credit Agreement bear interest at a floating rate equal to the adjusted Eurodollar Rate plus an applicable margin between 2.05% and 2.65% per annum, and if made available in the Administrative Agent's discretion, a base rate plus an applicable margin between 1.05% and 1.65% per annum. The "applicable margins" described above are determined by a schedule based on the leverage ratio of the Company, as defined in the Second A&R Credit Agreement. The Second A&R Credit Agreement also provides for fronting fees and letter of credit fees payable to the L/C Issuer and commitment fees payable to the Administrative Agent equal to 0.20% of the unused portion of the senior unsecured revolving line of credit.

Borrowings under the Construction Loan Agreement bear interest at a rate per annum equal to a forward-looking term rate based on the SOFR plus 210 basis points.

For fixed rate debt, such as our senior notes, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. As interest rates increase, the fair value of the debt instrument will decrease.

Our Financial Services business utilizes mortgage backed securities forward commitments, option contracts and investor commitments to protect the value of rate-locked commitments and loans held for sale from fluctuations in mortgage-related interest rates. To mitigate interest risk associated with loans held for sale, we typically use derivative financial instruments to hedge our exposure to risk from the time a borrower locks a loan until the time the loan is securitized. We also typically hedge our interest rate exposure through entering into interest rate swap futures.

Inflation

Our homebuilding operations have been and may continue to be adversely impacted by inflation, primarily from higher land, financing, labor, material, particularly lumber, and construction costs. In addition, inflation has led and could continue to lead to higher mortgage rates, which has and could continue to significantly affect the affordability of mortgage financing to homebuyers and lead to weakened demand for our homes, as well as increased cancellations. As inflation remained elevated during the three and six months ended June 30, 2022, interest rates on 30-year fixed mortgages have risen, coupled with the Federal Reserve raising the federal funds interest rate during the first and second quarters of 2022. While we were generally able to pass on cost increases from inflationary impacts to customers through increased home prices during the three and six months ended June 30, 2022, we may not be able to continue to offset cost increases with higher home selling prices in the future if weak housing market conditions exist.

Seasonality

Historically, the homebuilding industry experiences seasonal fluctuations in quarterly operating results and capital requirements. We typically experience the highest new home order activity during the spring, although this activity is also highly dependent on the number of active selling communities, timing of new community openings and other market factors. Since it historically has taken four to eight months to construct a new home, we typically deliver more homes in the second half of the year as spring and summer home orders convert to home deliveries. Because of this seasonality, home starts, construction costs and related cash outflows have historically been highest in the second and third quarters, and the majority of cash receipts from home deliveries occurs during the second half of the year. We expect this seasonal pattern to continue over the long term, although it may be affected by volatility in the homebuilding industry, supply chain challenges, changes in demand for our homes, and the COVID-19 pandemic.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our co-principal executive officers and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined under Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (which we refer to as the "Exchange Act")) as of June 30, 2022, the end of the period covered by this Form 10-Q. Based on this evaluation, our co-principal executive officers and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2022 in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

There were no changes during the second quarter of 2022 in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Because of the nature of the homebuilding business, we and certain of our subsidiaries and affiliates have been named as defendants in various claims, complaints and other legal actions arising in the ordinary course of business. In the opinion of our management, the outcome of these ordinary course matters will not have a material adverse effect upon our financial condition, results of operations or cash flows.

ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors we previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 that was filed with the SEC on February 3, 2022.

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

The following table summarizes the number of shares of our common stock that were purchased by the Company during each of the three fiscal months in our second quarter ended June 30, 2022.

	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
April				
Purchased 4/1 through 4/30	114,171	\$ 54.30	114,171	2,685,381
May				
Purchased 5/1 through 5/31	95,901	49.48	95,901	2,589,480
June				
Purchased 6/1 through 6/30	580,486	43.00	580,486	2,008,994
Total	790,558	\$ 45.42		

(1) On November 6, 2018, the Company's Board of Directors authorized a stock repurchase program, under which we may repurchase up to 4,500,000 shares of our outstanding common stock. Under the terms of the program, the shares may be repurchased from time to time in open market transactions at prevailing market prices, in privately negotiated transactions or by other means in accordance with federal securities laws. This program has no expiration date but may be terminated by the Board of Directors at any time. The Company repurchased 790,558 shares during the period indicated above under this program and 2,008,994 shares remained available to repurchase under this program as of June 30, 2022.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

The following exhibits are either filed herewith or incorporated herein by reference:

Item No.	Description
3.1	Certificate of Incorporation of Century Communities, Inc., as amended (incorporated by reference to Exhibit 3.1 to the initial filing of Century Communities, Inc.'s Registration Statement on Form S-1, filed with the SEC on May 5, 2014 (File No. 333-195678))
3.2	Restated Bylaws of Century Communities, Inc. (incorporated by reference to Exhibit 3.2 to Century Communities, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (File No. 001-36491))
10.1	Century Communities, Inc. 2022 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to Century Communities, Inc.'s Current Report on Form 8-K as filed with the SEC on May 5, 2022 (File No. 001-36491))
10.2	Form of Employee Performance Share Unit Award Agreement for use with the Century Communities, Inc. 2022 Omnibus Incentive Plan – (incorporated by reference to Exhibit 10.2 to Century Communities, Inc.'s Current Report on Form 8-K as filed with the SEC on May 5, 2022 (File No. 001-36491))
10.3	Form of Employee Restricted Stock Unit Award Agreement for use with the Century Communities, Inc. 2022 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.3 to Century Communities, Inc.'s Current Report on Form 8-K as filed with the SEC on May 5, 2022 (File No. 001-36491))
10.4	Form of Co-Chief Executive Officer Restricted Stock Unit Award Agreement for use with the Century Communities, Inc. 2022 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 to Century Communities, Inc.'s Current Report on Form 8-K as filed with the SEC on May 5, 2022 (File No. 001-36491))
22.1	List of Guarantor Subsidiaries (filed herewith)
31.1	Certification of the Co-Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith)
31.2	Certification of the Co-Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith)
31.3	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith)
32.1	Certification of the Co-Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of the Co-Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.3	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	Inline XBRL Instance Document (the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document (filed herewith)
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document (filed herewith)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

CENTURY COMMUNITIES, INC.

Date: July 27, 2022

By: /s/ Dale Francescon
Dale Francescon
Chairman of the Board and Co-Chief Executive Officer
(Co-Principal Executive Officer)

Date: July 27, 2022

By: /s/ Robert J. Francescon
Robert J. Francescon
Co-Chief Executive Officer and President
(Co-Principal Executive Officer)

Date: July 27, 2022

By: /s/ David Messenger
David Messenger
Chief Financial Officer
(Principal Financial Officer)

Date: July 27, 2022

By: /s/ J. Scott Dixon
J. Scott Dixon
Assistant Chief Financial Officer
(Principal Accounting Officer)

LIST OF SUBSIDIARY GUARANTORS

As of June 30, 2022, Century Communities, Inc. (referred to as the “Issuer”) had \$500 million principal amount outstanding of 3.875% Senior Notes due August 2029 (referred to collectively as the “2029 Notes”) and \$500 million principal amount outstanding of 6.75% Senior Notes due May 2027 (referred to collectively as the “2027 Notes” and collectively with the 2029 Notes, the “Senior Notes”). The Senior Notes are unsecured senior obligations of the Issuer and are fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by substantially all of the Issuer’s direct and indirect wholly-owned operating subsidiaries (referred to collectively as “Guarantors”). In addition, the Issuer’s former 5.875% senior notes due 2025 (referred to collectively as the “2025 Notes”), which were extinguished during the year ended December 31, 2021, were unsecured senior obligations of the Issuer and were fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by the Guarantors. The Issuer’s subsidiaries associated with its financial services operations do not guarantee the Senior Notes.

As of June 30, 2022, the entities set forth below, which are 100% owned subsidiaries of the Issuer, were guarantors of the outstanding Senior Notes (and in most cases were guarantors of the 2025 Notes). However, only the 2027 Notes and the related guarantees are, and the former 2025 Notes and related guarantees were, registered securities under the Securities Act of 1933, as amended (the “Securities Act”). The offer and sale of the 2029 Notes and the related guarantees were not and will not be registered under the Securities Act or the securities laws of any other jurisdiction and instead were issued in reliance upon an exemption from such registration. Unless they are subsequently registered under the Securities Act, neither the 2029 Notes nor the related guarantees may be offered and sold only in transactions that are exempt from the registration requirements under the Securities Act and the applicable securities laws of any other jurisdiction.

As the guarantees for the 2027 Notes and the guarantees for the former 2025 Notes were made in connection with the issuance of the 2027 Notes and former 2025 Notes and exchange offers effected under the Securities Act in February 2015, October 2015 and April 2017, the Guarantors’ condensed supplemental financial information is presented in the Quarterly Report on Form 10-Q for the quarterly period June 30, 2022 as if the guarantees existed during the periods presented pursuant to applicable SEC rules and guidance. In addition, pursuant to such SEC rules and guidance, the information regarding the Guarantors as of June 30, 2022 is set forth below.

<u>Name of Entity</u>	<u>State of Formation, Organization, or Incorporation</u>
5280 Reinsurance, LLC	Arizona
Augusta Pointe, LLC	Colorado
Avalon at Inverness, LLC	Colorado
AVR A, LLC	Colorado
AVR B, LLC	Colorado
AVR C, LLC	Colorado
Beacon Pointe, LLC	Colorado
Benchmark Communities, LLC	Delaware
Blackstone Homes, LLC	Colorado
BMC East Garrison, LLC	Delaware
BMC EG Bluffs, LLC	Delaware
BMC EG Bungalow, LLC	Delaware
BMC EG Garden, LLC	Delaware

<u>Name of Entity</u>	<u>State of Formation, Organization, or Incorporation</u>
BMC EG Grove, LLC	Delaware
BMC EG Towns, LLC	Delaware
BMC EG Village, LLC	Delaware
BMC Realty Advisors, Inc.	California
BMCH California, LLC	Delaware
BMCH North Carolina, LLC	Delaware
BMCH Tennessee, LLC	Delaware
BMCH Washington, LLC	Delaware
Bradburn Village Homes, LLC	Colorado
Casa Acquisition Corp.	Delaware
CC Communities, LLC	Colorado
CC Southeast Constructors, LLC	North Carolina
CCC Holdings, LLC	Colorado
CCG Constructors LLC	Georgia
CCG Realty Group LLC	Georgia
CCH Homes, LLC	Colorado
CCNC Realty Group, LLC	North Carolina
CCSC Realty Group, LLC	South Carolina
Centennial Holding Company LLC	Colorado
Century at Anthology, LLC	Colorado
Century at Ash Meadows, LLC	Colorado
Century at Autumn Valley Ranch, LLC	Colorado
Century at Beacon Pointe, LLC	Colorado
Century at Belleview Place, LLC	Colorado
Century at Caley, LLC	Colorado
Century at Candelas, LLC	Colorado
Century at Carousel Farms, LLC	Colorado
Century at Castle Pines Town Center, LLC	Colorado
Century at Claremont Ranch, LLC	Colorado
Century at Colliers Hill, LLC	Colorado
Century at Compark Village North, LLC	Colorado
Century at Compark Village South, LLC	Colorado
Century at Coyote Creek, LLC	Colorado
Century at Forest Meadows, LLC	Colorado
Century at Harvest Meadows, LLC	Colorado
Century at Landmark, LLC	Colorado
Century at Littleton Village, LLC	Colorado

<u>Name of Entity</u>	<u>State of Formation, Organization, or Incorporation</u>
Century at Littleton Village II, LLC	Colorado
Century at LOR, LLC	Colorado
Century at Lowry, LLC	Colorado
Century at Marvella, LLC	Colorado
Century at Mayfield, LLC	Colorado
Century at Meadowbrook, LLC	Colorado
Century at Midtown, LLC	Colorado
Century at Millennium, LLC	Colorado
Century at Murphy Creek, LLC	Colorado
Century at Oak Street, LLC	Colorado
Century at Observatory Heights, LLC	Colorado
Century at Outlook, LLC	Colorado
Century at Pearson Grove, LLC	Colorado
Century at Salisbury Heights, LLC	Colorado
Century at Shalom Park, LLC	Colorado
Century at Southshore, LLC	Colorado
Century at Spring Valley Ranch, LLC	Colorado
Century at Tanglewood, LLC	Colorado
Century at Terrain, LLC	Colorado
Century at The Grove, LLC	Colorado
Century at the Heights, LLC	Colorado
Century at The Meadows, LLC	Colorado
Century at Vista Ridge, LLC	Colorado
Century at Wildgrass, LLC	Colorado
Century at Wolf Ranch, LLC	Colorado
Century at Wyndham Hill, LLC	Colorado
Century Building Supply, LLC	Colorado
Century City, LLC	Colorado
Century Communities Construction, LLC	Utah
Century Communities Construction of Arizona, LLC	Arizona
Century Communities Investments LLC	Delaware
Century Communities Merchandising Group, LLC	Colorado
Century Communities of Arizona, LLC	Arizona
Century Communities of California, LLC	Delaware
Century Communities of Florida, LLC	Colorado
Century Communities of Florida Realty Group, LLC	Colorado
Century Communities of Georgia, LLC	Colorado

<u>Name of Entity</u>	<u>State of Formation, Organization, or Incorporation</u>
Century Communities of Idaho, LLC	Colorado
Century Communities of Nevada, LLC	Delaware
Century Communities of Nevada Realty, LLC	Nevada
Century Communities of North Carolina, LLC	Delaware
Century Communities of South Carolina, LLC	Delaware
Century Communities of Tennessee, LLC	Delaware
Century Communities of Utah, LLC	Utah
Century Communities of Washington, LLC	Delaware
Century Communities Realty of Utah, LLC	Utah
Century Communities Southeast, LLC	Colorado
Century Land Holdings, LLC	Colorado
Century Land Holdings II, LLC	Colorado
Century Land Holdings of Texas, LLC	Colorado
Century Land Holdings of Utah, LLC	Utah
Century Lincoln Station, LLC	Colorado
Century Living, LLC	Delaware
Century Living at Compark, LLC	Colorado
Century Living at Verona, LLC	Colorado
Century Townhomes at Candelas, LLC	Colorado
Century Tuscany GC, LLC	Delaware
Cherry Hill Park, LLC	Colorado
Cottages at Willow Park, LLC	Colorado
Crown Hill, LLC	Colorado
Enclave at Pine Grove, LLC	Colorado
Estates at Chatfield Farms, LLC	Colorado
Hearth at Oak Meadows, LLC	Colorado
Hometown, LLC	Colorado
Hometown South, LLC	Colorado
Horizon Building Services, LLC	Colorado
Ladera, LLC	Colorado
Lakeview Fort Collins, LLC	Colorado
Lincoln Park at Ridgeway, LLC	Colorado
Meridian Ranch, LLC	Colorado
Montecito at Ridgeway, LLC	Colorado
Neighborhood Associations Group, LLC	Delaware
Park 5th Avenue Development Co., LLC	Colorado
Red Rocks Pointe, LLC	Colorado

<u>Name of Entity</u>	<u>State of Formation, Organization, or Incorporation</u>
Reserve at Highpointe Estates, LLC	Colorado
Reserve at The Meadows, LLC	Colorado
Saddleback Heights, LLC	Colorado
SAH Holdings, LLC	Colorado
Stetson Ridge Homes, LLC	Colorado
The Overlook at Tallyn's Ranch, LLC	Colorado
The Retreat at Ridgeway, LLC	Colorado
The Veranda, LLC	Colorado
The Wheatlands, LLC	Colorado
UCP, LLC	Delaware
UCP Barclay III, LLC	Delaware
UCP East Garrison, LLC	Delaware
UCP Kerman, LLC	Delaware
UCP Meadowood III, LLC	Delaware
UCP Sagewood, LLC	Delaware
UCP Soledad, LLC	Delaware
UCP Tapestry, LLC	Delaware
Venue at Arista, LLC	Colorado
Verona Estates, LLC	Colorado
Villas at Highland Park, LLC	Colorado
Villas at Murphy Creek, LLC	Colorado
Waterside at Highland Park, LLC	Colorado
Westown Condominiums, LLC	Colorado
Westown Townhomes, LLC	Colorado
Wildgrass, LLC	Colorado
WJH, LLC	Delaware
WJH Brokerage OH, LLC	Ohio
WJH Brokerage MI, LLC	Michigan
WJH Sales of AZ, LLC	Arizona

**CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dale Francescon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Century Communities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2022

/s/ Dale Francescon

Dale Francescon
*Chairman of the Board and Co-Chief Executive Officer
(Co-Principal Executive Officer)*

**CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert J. Francescon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Century Communities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2022

/s/ Robert J. Francescon
Robert J. Francescon
Co-Chief Executive Officer and President
(Co-Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Messenger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Century Communities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2022

/s/ David Messenger

David Messenger

Chief Financial Officer

(Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of Century Communities, Inc. (the "Company") for the quarterly period ended June 30, 2022, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Annual Report"), I, Dale Francescon, Chairman of the Board and Co-Chief Executive Officer (Co-Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: July 27, 2022

/s/ Dale Francescon

Dale Francescon

*Chairman of the Board and Co-Chief Executive Officer
(Co-Principal Executive Officer)*

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

In connection with the Quarterly Report on Form 10-Q of Century Communities, Inc. (the “Company”) for the quarterly period ended June 30, 2022, as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Annual Report”), I, Robert J. Francescon, Co-Chief Executive Officer and President (Co-Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 27, 2022

/s/ Robert J. Francescon

Robert J. Francescon

*Co-Chief Executive Officer and President
(Co-Principal Executive Officer)*

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

In connection with the Quarterly Report on Form 10-Q of Century Communities, Inc. (the "Company") for the quarterly period ended June 30, 2022, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Annual Report"), I, David Messenger, Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Annual Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: July 27, 2022

/s/ David Messenger

David Messenger
Chief Financial Officer
(Principal Financial Officer)
