

PRACTITIONER CASE STUDY - JUNE 1, 2026

Berkshire Acquires Taylor Morrison

NYSE: BRK.A / BRK.B - NYSE: TMHC

An \$8.5B all-cash acquisition of a Sun Belt production homebuilder — the largest residential-construction deal in Berkshire history, and the first time Berkshire owns a public-listed national homebuilder.

A practitioner read of the deal mechanics, the Buffett-discipline lens, and what it signals about Berkshire's residential thesis going forward.

Announcement date	May 31, 2026
Per-share consideration (all cash)	\$72.50
Equity value (~93.8M dil. shares)	~\$6.8B
Enterprise value	~\$8.5B
Implied net debt assumed	~\$1.7B
Premium to undisturbed close (5/29/26)	24%
TMHC FY2025 revenue	\$8.12B
TMHC FY2025 net income	\$782.5M
TMHC FY2025 Adj. EBITDA	\$1.29B
TMHC 12/31/25 stockholders' equity	\$6.31B
Implied P / FY25 Net Income	8.7x
Implied EV / FY25 Adj. EBITDA	6.6x
Implied P / Book Value	1.08x
Implied P / Tangible Book Value	1.20x
Expected close	H2 2026
Financing	Cash on Berkshire B/S

EXECUTIVE VERDICT. *The TMHC acquisition is a Berkshire-discipline deal in unfamiliar clothing. Berkshire paid a modest 1.08x book and 6.6x trailing EBITDA, all-cash from the ~\$397B war chest, for a Sun Belt builder with a 13-year public track record, an aligned owner-CEO who stays in the seat, and an asset-light land book (~54% lots controlled off-balance-sheet). The break from Berkshire pattern is the industry: production homebuilding is The clearest read is that Greg Abel is signaling a Clayton-Homes-plus-TMHC-plus-HomeServices site-built housing platform, not a one-off opportunistic buy.*

POWER OF THE PACK. *The Institute library brings the deal-mechanics read (PE Guide), the first-principles read (First Principles of Master Investing), the CFO read (CFO & Controller's Guide), and the practitioner-buyer read (Business Buyers Guide) together in one place. This case demonstrates the integration — one transaction surfaces all four lenses.*

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About Berkshire Read

Berkshire Read is the Baratelli Institute's recurring read on Berkshire Hathaway's capital deployment — the deals, the equity-stake changes, the annual-letter signals. Berkshire's behavior is the closest thing to a public-market apprenticeship the world has, and the Institute's library is built on the same first principles Buffett has practiced for sixty years. Every Berkshire Read case ties back to the relevant Institute guides so the practitioner can move from observation to working framework.

LIBRARY TIE-IN

First Principles of Master Investing (Berkshire chapters) - CFO & Controller's Guide (capital allocation) - Private Equity Guide (deal mechanics) - Business Buyers Guide (owner-operator acquisition lens) - Liquidity Event Playbook (seller-side read) - Insurance & Risk Architecture (float).

About this case

This case study walks Berkshire Hathaway's May 31, 2026 announced acquisition of Taylor Morrison Home Corporation through a practitioner's lens. Every dollar figure is sourced inline to the underlying SEC filings or to the deal press release. Where a market multiple for a public comparable is not in our source set, we mark it [VERIFY] and provide a basis. We are not advising on either stock.

Source documents (the eight)

Document	Filer	Period / Date	Used for
Press release - acquisition announcement	Taylor Morrison Home Corp.	May 31, 2026	Deal terms, premium, financing, advisors
Form 10-K, FY2025	Taylor Morrison Home Corp.	FY end 12/31/25	Business segments, markets, MD&A
Form 10-Q, Q1 2026	Taylor Morrison Home Corp.	Quarter end 3/31/26	Q1 balance sheet, working capital
4Q25 Earnings Release	Taylor Morrison Home Corp.	Feb 11, 2026	FY2025 income statement, balance sheet
4Q25 Investor Presentation	Taylor Morrison Home Corp.	Feb 11, 2026	Segment detail, lot supply, capital allocation
1Q26 Earnings Release	Taylor Morrison Home Corp.	Apr 22, 2026	Q1 2026 momentum, guidance
1Q26 Investor Presentation	Taylor Morrison Home Corp.	Apr 22, 2026	Q1 supplemental
Form 10-K, FY2025	Berkshire Hathaway Inc.	FY end 12/31/25	BRK segments (Clayton, HomeServices, BHE), capital position
Form 10-Q, Q1 2026	Berkshire Hathaway Inc.	Quarter end 3/31/26	BRK cash + Treasuries war chest, segment results

What this case is, and is not

What it is. A practitioner read of an announced transaction, organized so a buyer of small businesses, a CFO, a private-equity sponsor, or an estate practitioner sees the same deal through their own working framework. The case integrates with the Institute library — chapters are cited inline where they illuminate the analysis.

What it is not. Investment advice. A buy or sell recommendation on TMHC, on Berkshire, or on any homebuilder. A merger-arbitrage spread analysis. The Baratelli Institute does not advise on this stock or any other — the case is educational and analytical only.

Executive Summary

On May 31, 2026 Berkshire Hathaway and Taylor Morrison Home Corporation announced a definitive agreement for Berkshire to acquire TMHC for \$72.50 per share in cash — approximately \$6.8B in equity value, \$8.5B in enterprise value — representing a 24% premium to TMHC's \$58.50 close on May 29, 2026. The transaction is funded entirely from cash on Berkshire's balance sheet (Berkshire reported \$51.5B of insurance-side cash and \$339B of short-term Treasuries at 3/31/26; railroad/utility cash adds another \$6.6B). Sheryl Palmer, TMHC's Chairman and CEO since the company's IPO in 2013, remains in the seat. Expected close is H2 2026 subject to TMHC shareholder approval and customary regulatory clearances.

This is the largest residential-construction acquisition in Berkshire's history, and the first time Berkshire owns a publicly-listed national production homebuilder. Berkshire has owned Clayton Homes since 2003 (manufactured housing, with a smaller site-built division — Clayton Properties Group — reporting ~10,000 site-built closings in 2025 vs. TMHC's 12,997). The combined site-built footprint after close meaningfully exceeds either standalone unit.

The five things to know

- **Modest multiple, classic Berkshire price discipline.** 1.08x book value, 6.6x FY2025 Adj. EBITDA, 8.7x FY2025 GAAP earnings, 1.20x tangible book. These are not 2021 multiples; these are mid-cycle-trough multiples.
- **Owner-CEO stays.** Sheryl Palmer remains Chairman and CEO. This is the Buffett pattern (Tony Nicely at GEICO, Pete Liegl at Forest River, Greg Abel at BHE, Kevin Clayton at Clayton). The Institute's Business Buyers Guide chapter on owner-operator alignment reads this deal as textbook.
- **Asset-light land book.** 54% of TMHC's 78,835 lots controlled off-balance-sheet via land banks and options at 12/31/25. This materially limits land-price downside exposure, which is the homebuilder cycle's single biggest write-down risk.
- **The Clayton + TMHC + HomeServices flywheel.** Abel's statement on the call — *'we expect to unify our site-built homebuilding operations into a combined platform'* — is the strategic tell. This is not a one-off. It is the start of a residential-platform thesis.
- **The break from Berkshire pattern is industry, not price.** Production homebuilding is cyclical and mortgage-rate-sensitive in ways most wholly-owned Berkshire subsidiaries are not. The closest historical parallel inside Berkshire is Clayton itself (manufactured + mortgage + site-built, owned 23 years); the closest precedent is the Clayton Homes integration (production housing + captive mortgage + Berkshire balance-sheet support of in-house finance).

How a practitioner should read this deal

Berkshire bought a Sun Belt production builder at *book value plus a strategic premium*, with cash, paying a multiple that is closer to a recession-floor multiple than a peak-cycle multiple — and bolted on a public-comparable comparison set (Lennar, DR Horton, NVR, PulteGroup, Toll, Meritage) that mostly trades richer. The Institute's read is that this is the Buffett pattern of acquiring a durable cash-generating business at a price that requires very little to go right to compound at acceptable returns — not because the homebuilder cycle

is going to turn tomorrow, but because the price already prices in a normal-to-soft cycle.

LIBRARY TIE-IN

FP - First Principles of Master Investing. *The Buffett chapter on margin-of-safety pricing ("the third great principle") reads through this deal: pay a price that requires the seller to deliver merely normal operating performance for the buyer to do well. The Institute's framing throughout the library.*

1. Deal Terms

The transaction is a single-step cash merger with TMHC stockholders receiving \$72.50 per share in cash. The transaction document is a definitive merger agreement (the company indicated a proxy filing to follow). Cancellation of TMHC's NYSE listing is expected at closing.

Term	Value	Source
Announcement date	May 31, 2026	Press release p.1
Per-share consideration	\$72.50 cash	Press release p.1
Form of consideration	100% cash	Press release p.1
Equity value	~\$6.8B	Press release p.1
Enterprise value	~\$8.5B	Press release p.1
Implied premium to 5/29/26 close	24%	Press release p.1; \$72.50 / \$58.50
Expected close	H2 2026	Press release p.2
Conditions to close	TMHC stockholder vote; customary regulatory	Press release p.2
TMHC financial advisors	Goldman Sachs & Co. LLC; Moelis & Company LLC	Press release p.2
TMHC legal advisor	Simpson Thacher & Bartlett LLP	Press release p.2
TMHC financial-services regulatory counsel	Mayer Brown LLP	Press release p.2
Listing post-close	TMHC delists from NYSE; becomes private subsidiary	Press release p.2
Management continuity	Sheryl Palmer continues as CEO; existing team retained	Press release p.2

SOURCE NOTE The press release does not separately disclose Berkshire's financial or legal advisors. No reverse termination fee is disclosed in the announcement; this will appear in the proxy. The implied \$1.7B EV / equity-value gap is the assumed net debt — reconcilable to TMHC's reported \$2.22B total homebuilding debt minus \$850M unrestricted cash (12/31/25) = \$1.37B net homebuilding debt, plus mortgage warehouse and minority interest adjustments.

Implied per-share math

The diluted-share-count reconciliation answers a common reader question — why is the implied share count for the \$6.8B equity value (~93.8M) materially lower than 1Q26 weighted-average diluted (~98.7M) and 1Q26 weighted-average basic (~97.1M)? The answer is continuing buybacks under TMHC's multi-year repurchase program. The Board re-authorized \$1B of buyback capacity through December 31, 2027 (4Q25 release p.4); TMHC repurchased 6.5M shares for \$381M in FY2025 (avg \$58.62) and 2.5M shares for \$150M in 1Q26 (avg \$60.00). Cumulative-to-date the program has repurchased approximately 39M shares for \$1.5B (per 4Q25 release p.3). The April-May 2026 continuation of the program at the disclosed pace plausibly accounts for an additional

1-2M shares before signing — not a late-quarter buyback acceleration tied to deal negotiation, but the documented continuation of a routine multi-year program. Practitioners should review the proxy for the actual shares-as-of-record-date count when the deal definitive proxy is filed.

Per-share consideration math (with continuing-buyback reconciliation)

Step	Value
Per-share cash consideration	\$72.50
TMHC diluted shares outstanding (1Q26 weighted avg)	~98.7M
TMHC basic shares outstanding (1Q26 weighted avg)	~97.1M
Implied shares outstanding at signing (5/31/26)	~93.8M
less: FY2025 buybacks (6.5M sh / \$381M / avg \$58.62)	
less: 1Q26 buybacks (2.5M sh / \$150M / avg \$60.00)	
less: continuing Apr-May 2026 buybacks (~est. 1-2M sh)	
FY2025 GAAP diluted EPS	\$7.77
FY2025 Adjusted diluted EPS	\$8.24
P / FY25 GAAP EPS	9.3x
P / FY25 Adj. EPS	8.8x
Book value per share (12/31/25)	~\$64
Premium to book per share	13%

SOURCE NOTE The \$6.8B equity value implies ~93.8M shares at \$72.50, slightly below the 1Q26 weighted-avg diluted count of 98.7M. The reconciliation likely reflects (a) post-1Q26 buybacks (TMHC repurchased 2.5M shares for \$150M in 1Q26 alone) and (b) the press release using actual outstanding rather than diluted at announcement. Final share count and net debt will be confirmed in the proxy. Marker: [VERIFY-share-count] - reconcile to definitive proxy when filed.

2. Why this deal, why now, why Berkshire

Why this deal

TMHC matches a Berkshire acquisition template that has been remarkably consistent over six decades. Five fingerprints of the pattern appear:

- **A durable, simple business.** Production homebuilding has the same general shape it has had for forty years: buy land, develop lots, build houses, sell to a buyer with a mortgage. The variables (rates, supply, labor) change; the underlying activity does not.
- **An owner-operator CEO who stays.** Sheryl Palmer has led TMHC since the 2013 IPO, has built the geographic and product footprint personally, and per the press release continues as CEO post-close. This is the Tony Nicely / Greg Abel / Kevin Clayton pattern.
- **A modest price relative to book and earnings.** 1.08x book, 8.7x earnings, 6.6x EBITDA. These are not aggressive multiples even on trough-cycle earnings.
- **Cash financing from the existing war chest.** No debt issuance, no equity issuance. Berkshire had \$397B of cash + Treasuries at 3/31/26. The deal absorbs ~2% of the cash position.
- **A strategic fit with an existing Berkshire business.** Clayton Homes' site-built division (Clayton Properties Group) shipped ~10,000 site-built homes in 2025. Combined with TMHC's 12,997, Berkshire goes from a modest site-built footprint to a top-10 U.S. production builder.

Why now

Two timing windows make this transaction natural at this moment:

(a) The homebuilder cycle is mid-correction, not mid-peak. TMHC's 1Q26 print showed home closings revenue down ~28% YoY, gross margin compressed to 20.6% adjusted (from 23.0% full-year 2025, from 24.5% in 2024). Net sales orders down 14%. SG&A leverage compressed to 11.4% from 9.7%. The stock, before the deal, traded at \$58.50 — roughly 0.91x book value. Berkshire's habit is to acquire at exactly this point in the cycle.

(b) The Berkshire cash position is at an all-time high. \$397B of cash + Treasuries at 3/31/26. Buffett has signaled for several years that the share-buyback pace has slowed because BRK shares are not cheap; the cash has nowhere to go absent acquisitions. The TMHC deal is the largest single residential-construction deployment in Berkshire's history (\$6.8B equity / \$8.5B enterprise value), but in absolute terms it is still less than 3% of the available cash. Berkshire could buy fifty more TMHCs without straining liquidity.

LIBRARY TIE-IN

CFO Ch. 18 (Capital Allocation). *The first principle of capital allocation is don't deploy capital absent a clear thesis. The corollary — when the thesis arrives, deploy decisively — is Berkshire's signature. The TMHC deal is decisively-deployed cash into a thesis (Sun Belt production housing) at a price that does not require heroics. Read alongside CFO Ch. 18, Section 3.*

Why Berkshire (and not a sponsor)

A financial sponsor (KKR, Apollo, Blackstone, Brookfield) buying TMHC would face two constraints Berkshire does not. **First, financing.** An 8.5x EV LBO of a cyclical homebuilder at H2 2026 rates would require ~5x leverage on EBITDA to make the math work, which the rating agencies and banks will resist on a homebuilder credit. Berkshire pays cash. **Second, hold period.** A sponsor needs an exit in five-to-seven years. The homebuilder cycle does not cooperate with five-to-seven-year clocks. Berkshire's hold period is forever — or until a different opportunity appears. Forever is the correct hold period for a cyclical land-and-build business. The combination — cash plus forever — is Berkshire's structural advantage over the sponsor universe in homebuilder M&A.

3. Taylor Morrison as a business

Footprint and segments

TMHC operates 341 active selling communities (12/31/25) across 21 markets in 12 states — concentrated in the Sun Belt (Texas, Florida, Arizona, Nevada, North Carolina, Georgia, Colorado, Washington). The business reports three geographic segments — East, Central, West — and three brand-based product lines:

Brand	Buyer segment	Position
Taylor Morrison	Entry-level & move-up	Core homebuilding business, broadest geographic reach
Esplanade	55+ active-adult / resort lifestyle	Higher-margin amenity-heavy communities; the growth lever
Yardly	Build-to-rent (single-family rental)	Asset-light platform - TMHC builds and manages BTR communities

The Esplanade resort-lifestyle brand was the standout in 1Q26 — the only consumer segment to grow YoY, with Esplanade-branded sales up 9%. TMHC has signalled a strategic re-emphasis on Esplanade alongside discipline on the entry-level segment.

TMHC also operates three ancillary businesses that materially de-risk the closings funnel: **TMHF** (in-house mortgage origination — 88% capture rate on TMHC homebuyers, FY2025), **Inspired Title** (title insurance / escrow), and **TMIS** (homeowner's insurance agency). These services produced \$209M of FY2025 financial-services revenue and lock the customer to TMHC through close.

Tax position — no material NOL asset

TMHC has reported continuous net-income profitability since its 2013 IPO. As a result, the company does not carry material federal net operating loss (NOL) carryforwards on the balance sheet. Some state-level NOLs may persist from historical acquisitions (notably the 2020 William Lyon Homes integration), but these are not a material valuation component of the deal. The bulk of TMHC's deferred-tax balances are deferred-tax liabilities tied to inventory-recognition timing differences and intangible-amortization timing, not NOL assets. Practitioners should confirm via the income-tax footnote (Note 14 or equivalent) of the 2025 10-K. For Berkshire, the implication is that the TMHC transaction is not driven by NOL utilization economics — unlike the Berkshire/Vanderbilt-style float-deployment thesis or the Lyft/CLF deferred-tax-asset stories the Institute covers elsewhere. The TMHC deal is a pure operating-business acquisition, not a tax-driven structure.

FY2025 financial profile

Metric	FY2025	FY2024	YoY
Total revenue	\$8,121M	\$8,168M	(0.6%)
Home closings revenue	\$7,755M	\$7,755M	Flat
Land closings revenue	\$37M	\$81M	(54%)

Metric	FY2025	FY2024	YoY
Financial services revenue	\$209M	\$199M	+5%
Home closings gross margin	22.5%	24.4%	(190 bps)
Adj. home closings gross margin	23.0%	24.5%	(150 bps)
SG&A as % of home closings	9.5%	9.9%	(40 bps)
Net income	\$782.5M	\$883.3M	(11.4%)
Adj. net income	\$830.0M	\$934.2M	(11.2%)
EBITDA	\$1,201M	\$1,295M	(7.3%)
Adj. EBITDA	\$1,292M	\$1,384M	(6.6%)
Adj. EBITDA margin	15.9%	16.9%	(100 bps)
GAAP diluted EPS	\$7.77	\$8.27	(6.0%)
Adjusted diluted EPS	\$8.24	\$8.74	(5.7%)
Home closings (units)	12,997	12,896	+0.8%
Average selling price	\$597K	\$601K	(0.7%)
Net sales orders	11,074	12,248	(9.6%)
Backlog units (period-end)	2,819	4,742	(40.6%)
Backlog sales value	\$1.86B	\$3.19B	(41.8%)
Ending active communities	341	339	+0.6%

SOURCE NOTE Source: TMHC 4Q25 Earnings Release (Feb 11, 2026), pp. 4, 7, 9-10, 12-13. Adj. EBITDA derived from reconciliation on p. 13. The (190 bps) gross-margin compression year-over-year is the principal tell on cycle position; the 40 bps SG&A leverage gain is the management discipline tell.

Cash deployment and capital return (release-disclosed)

TMHC's earnings releases do not include a full GAAP cash flow statement; the formal Operating Cash Flow / Capital Expenditure / Free Cash Flow lines for FY2024, FY2025, and 1Q26 are published in the company's 10-K and 10-Q filings. The release-disclosed proxies below show the directionally meaningful cash uses — what TMHC actually did with the cash the business generated over the past five quarters. For a homebuilder, traditional 'free cash flow' (OCF less CapEx) is less informative than the combination of (a) cash invested in land & development (an operating-line use that consumes most of the cash), (b) capital returned to shareholders via repurchases (TMHC has never paid a dividend), and (c) the change in unrestricted cash. The table below shows those release-disclosed magnitudes.

Period	Land & dev. invested	Share buybacks	Dividends	Ending cash
1Q26	\$503M	\$150M (2.5M sh)	\$0	\$485M (3/31/26)

Period	Land & dev. invested	Share buybacks	Dividends	Ending cash
FY2025	n.d. in release	\$381M (6.5M sh / avg \$58.62)	\$0 (no dividend)	\$850M (12/31/25)
FY2024	n.d. in release	~\$400M (per 4Q25 release p.2)	\$0 (no dividend)	\$487M (12/31/24)
FY2023	n.d. in release	~\$330M (~7-8M sh, est. from 10-K)	\$0 (no dividend)	Pull from 2023 10-K
FY2022	n.d. in release	~\$390M (~13-14M sh, est. from 10-K) — first full program year	\$0 (no dividend)	Pull from 2022 10-K
Program-to-date through 1Q26	—	~\$1.5B / ~39M sh (4Q25 release p.3)	\$0	—

Pure-buyback returner; never paid a dividend. TMHC has never declared or paid a regular cash dividend since its 2013 IPO — the entire shareholder-capital-return program runs through opportunistic open-market buybacks. The four-year + 1Q26 picture shows ~\$1.65B of cumulative shareholder capital returned via repurchases (FY22 ~\$390M + FY23 ~\$330M + FY24 ~\$400M + FY25 \$381M + 1Q26 \$150M), against \$0 of dividends across the same period. The Board renewed the \$1B buyback authorization through December 31, 2027 in connection with the 4Q25 release (p.4). For OCF / CapEx / FCF practitioners should pull the 10-K cash flow statement; CapEx is typically modest for a homebuilder (model homes, sales offices, IT — usually under 1% of revenue) and the inventory-build / inventory-harvest cycle dominates GAAP OCF.

Average selling prices by brand and segment

TMHC reports closings ASP at the company level and segment level (East / Central / West) but not at the brand level (Taylor Morrison / Esplanade / Yardly). Brand-level ASPs are inferable but not directly disclosed; the data below combines company- and segment-level disclosures with qualitative brand-mix color from the 4Q25 release and investor presentation.

Cut	ASP	Source / note
Company total (FY2025 closings)	\$597K	4Q25 release p.7
Company total (FY2024 closings)	\$601K	4Q25 release p.7
Backlog ASP — East (12/31/25)	\$652K	4Q25 release p.10 (proxy for East mix incl. Esplanade)
Backlog ASP — Central (12/31/25)	\$577K	4Q25 release p.10
Backlog ASP — West (12/31/25)	\$699K	4Q25 release p.10 (proxy for West mix incl. Esplanade)
Backlog ASP — Total (12/31/25)	\$659K	4Q25 release p.10

Cut	ASP	Source / note
Brand — Taylor Morrison (move-up / entry-level)	~\$570-590K (inferred)	Below company avg because Esplanade pulls company avg up
Brand — Esplanade (55+ resort-lifestyle)	Superior ASPs (qualitative)	4Q25 release p.2; 1Q26 investor presentation p.9; ~50% all-cash buyers
Brand — Yardly (build-to-rent)	Build-cost basis	BTR economics differ; not directly ASP-comparable

The Esplanade ASP premium is the operating signal. The 4Q25 release described Esplanade as delivering ‘superior average sales prices and gross margins’ with approximately half of buyers paying all cash. Esplanade was the only TMHC segment to grow YoY in 1Q26 (+9%). The strategic re-emphasis on Esplanade plus the higher-ASP East / West segment skew tells the practitioner that the Esplanade brand is the margin lever the next decade of the business depends on. Practitioners modeling TMHC standalone or as a Berkshire subsidiary should pull the brand-level ASPs from TMHC’s 10-K (where segment-and-brand disclosure is more detailed than the earnings release).

Balance sheet and land book (12/31/25)

Line	12/31/25	12/31/24
Cash and cash equivalents	\$850M	\$487M
Owned inventory (homes + land)	\$6,046M	\$6,163M
Total real estate inventory	\$6,141M	\$6,234M
Land deposits	\$361M	\$300M
Mortgage loans held for sale	\$133M	\$208M
Investments in unconsolidated entities	\$487M	\$440M
Goodwill	\$663M	\$663M
Total assets	\$9,838M	\$9,297M
Senior notes, net	\$1,463M	\$1,470M
Loans payable and other borrowings	\$745M	\$476M
Revolving credit facility	\$0M	\$0M
Mortgage warehouse borrowings	\$83M	\$174M
Total liabilities	\$3,529M	\$3,419M
Total stockholders’ equity	\$6,309M	\$5,878M
Total liabilities and stockholders’ equity	\$9,838M	\$9,297M
(ties to Total assets above)	■	■

Line	12/31/25	12/31/24
Net homebuilding debt to capitalization	17.8%	20.0%

Land position and asset-light architecture

TMHC controls 78,835 homebuilding lots at 12/31/25 — 6.1 years of supply based on TTM closings (2.8 years owned, 3.3 years controlled via land banks and options off-balance-sheet). The 54%-off-balance-sheet share is materially higher than the pre-2020 industry posture and is the single most important balance-sheet line item from an acquisition-underwriting view: it limits land-price write-down exposure if the cycle softens further. By 1Q26 the lot count moderated to 75,626 with 51% off-balance-sheet — consistent with active land discipline.

LIBRARY TIE-IN

PE Guide - Land-Light Builder Chapter. *The shift to land-banked / land-optioned control (post-2015 industry-wide, but advanced by TMHC, Lennar, and PulteGroup) is the most important balance-sheet evolution of the modern homebuilding cycle. Sponsors and strategic buyers pay materially less for land-heavy builders. TMHC's 54% off-balance-sheet share is a quality tell.*

1Q 2026 momentum (the trough-look)

1Q26 was a tough quarter, presented honestly by management. Home closings revenue fell 28% YoY to \$1.31B (2,268 closings vs. 3,048; ASP \$578K vs. \$600K). Adjusted home closings gross margin compressed to 20.6% (from 23.5% in 1Q25). Net income was \$99M (\$1.01 diluted GAAP, \$1.12 adjusted). SG&A leverage compressed to 11.4% (from 9.7%) because SG&A dollar discipline was offset by lower closings volume. Net sales orders were 2,914 (vs. 3,374). However: monthly absorption pace was 2.7 (vs. 2.4 in 4Q25), the to-be-built mix grew to 38% (from 28% in 4Q25), and backlog rebuilt to 3,465 homes (vs. 2,819 at year-end). Book value per share grew 11% YoY to \$64. The 1Q26 print is the rough patch the deal price clearly contemplates.

4. Why Berkshire — the homebuilder thesis

Reading Greg Abel's deal-day quote is the right place to start: *'Berkshire is acquiring a best-in-class national homebuilder, led by an exceptional team and backed by a trusted reputation for customer experience... over time, we expect to unify our site-built homebuilding operations into a combined platform enabling us to deliver the dream of homeownership to more Americans.'* That is not boilerplate. The phrase **'unify our site-built homebuilding operations'** is a strategic declaration.

Berkshire's existing housing perimeter (before TMHC)

Berkshire business	Role in housing	Source
Clayton Homes	Manufactured homes (49,400 off-site in 2025) + site-built (~10,000 in 2025); home financing.	BRK 10-K p. K-16
Clayton Properties Group	Clayton's site-built division - nine builders across 17 states, ~300 subdivisions.	BRK 10-K p. K-16
HomeServices of America	~35,000 agents in 770+ offices; mortgage, title, insurance, home warranty.	BRK 10-K p. K-11
Shaw Industries	Flooring (carpet, hardwood, resilient) - residential and commercial.	BRK 10-K p. K-16
Benjamin Moore	Premium architectural paint - 8,000+ retail outlets.	BRK 10-K p. K-18
MiTek	Engineered connectors, building products, software for construction.	BRK 10-K
Acme Brick / Johns Manville	Bricks, insulation, roofing - building products.	BRK 10-K
Berkshire Hathaway Energy (BHE)	Utility & infrastructure exposure to housing-driven energy demand.	BRK 10-K p. K-7

TMHC slots into this perimeter cleanly. Clayton already runs ~10,000 site-built closings; TMHC adds 13,000 more, on the Sun Belt footprint where Clayton's site-built operations are less concentrated. HomeServices originates loans and provides title; TMHC has its own mortgage, title, and insurance subsidiaries (TMHF, Inspired Title, TMIS). The 88% mortgage-capture rate at TMHF is essentially a model the combined Berkshire footprint can replicate at higher scale.

The Sun Belt thesis

TMHC's 12 states are the Sun Belt migration map: Texas, Florida, Arizona, Nevada, North Carolina, Georgia, Colorado, Washington, and others. The demographic tailwind here is twenty years long — the population flow from high-tax, high-cost coastal markets into Sun Belt metros has been operating since the early 2000s and accelerated post-2020. Berkshire's behavior on this tailwind has been to own the picks-and-shovels (Clayton, Shaw, Benjamin Moore, MiTek) rather than the builders themselves. The TMHC deal is the upgrade from picks-and-shovels to builder-plus-picks-and-shovels.

The replacement-cost moat

Production homebuilders have a structural moat that gets stronger when materials costs rise: land-position, entitlements, supplier relationships, and skilled-trades labor pools are not easily reproduced. Tariff pressure on building materials (lumber, steel, aluminum, appliances) lifts the replacement cost of every existing house and every land position. A buyer with a five-year land book and 21-market scale has a moat that a startup builder cannot reproduce in any practical horizon. This is the long-cycle replacement-cost lens applied to housing: the asset is irreproducible at the price the buyer paid for it.

LIBRARY TIE-IN

FP - The Replacement-Cost Lens. *Berkshire's long-cycle subsidiary acquisitions and the post-acquisition performance is the canonical case for replacement-cost-protected cash flow. The TMHC case is a smaller version with the same skeleton: irreproducible asset position, long-cycle demand, capital intensity that creates the moat in the first place.*

The Build-to-Rent option (Yardly)

Yardly — TMHC's Build-to-Rent brand — is the genuinely interesting strategic option in this deal. BTR is the asset-light way to ride the demographic shortage of housing: TMHC builds the community, sells to (or partners with) an institutional rental operator, and the developer-builder economics flip from cyclical lump-sum gross margin to recurring revenue with a developer profit margin in front. Berkshire-Hathaway-Energy regularly partners with renewables developers under a similar structure. TMHC's Yardly platform — combined with BHE's institutional-scale balance sheet — is the asset-light flywheel that the Institute would expect to see emphasized over the next several years.

5. The Valuation Math

Three multiples to grade Berkshire's price — each pinned to a source, each compared to the public comparable set and to TMHC's own trailing trading range. We use TMHC's actual FY2025 operating earnings; we are not using forward estimates because the case study is explicitly a deal-discipline read, not a forecast.

Multiple	Calculation	Implied	Source
P / FY25 GAAP EPS	\$72.50 / \$7.77	9.3x	TMHC 4Q25 release p. 7
P / FY25 Adj. EPS	\$72.50 / \$8.24	8.8x	TMHC 4Q25 release p. 12
P / FY25 Net Income (equity / NI)	\$6.8B / \$782.5M	8.7x	Press release; 4Q25 release p. 7
EV / FY25 EBITDA	\$8.5B / \$1.201B	7.1x	Press release; 4Q25 release p. 13
EV / FY25 Adj. EBITDA	\$8.5B / \$1.292B	6.6x	Press release; 4Q25 release p. 13
Price / Book Value	\$6.8B / \$6.309B	1.08x	Press release; 4Q25 release p. 8
Price / Tangible Book	\$6.8B / \$5.646B	1.20x	Equity less \$663M goodwill; p. 8
EV / Total Revenue	\$8.5B / \$8.121B	1.05x	Press release; 4Q25 release p. 7
Premium to undisturbed close	\$72.50 / \$58.50	24%	Press release p. 1
Premium to TTM VWAP (est.)	\$72.50 / ~\$60 [VERIFY]	~21%	[VERIFY] approximate VWAP
Premium to 52-week high (est.)	\$72.50 / ~\$80 [VERIFY]	(~9%)	[VERIFY] from public price chart
Premium to book value per share	\$72.50 / ~\$64	13%	BVPS = \$6,309M / ~98.7M shares

SOURCE NOTE [VERIFY] markers: TTM VWAP and 52-week high are estimated from public price action context (TMHC ran from low-\$50s to mid-\$70s over the trailing twelve months). These should be confirmed from a paid price-history source before any public publication. The 24% deal premium and every operating-metric multiple are pinned to filings and are firm.

Public-comparable set

Production-homebuilder valuations vary widely with cycle position. The set below is the natural comparable group for TMHC. Multiples are TTM proxies marked [VERIFY] where not drawn from a source document in our set — practitioners should refresh these from a data source (FactSet, S&P CapIQ, Yahoo Finance) before publication.

Builder	Ticker	P/E (TTM)	P/B (MRQ)	EV/EBITDA (TTM)	Note
DR Horton	DHI	~13.8x	~1.77x	~11.5x	Largest US builder, broad geo
Lennar	LEN	~12.9x	~1.01x	~10.4x	Land-light leader
NVR	NVR	~14.9x	~4.7-4.8x	~9.5-9.6x	Asset-light lot-option model, premium

Builder	Ticker	P/E (TTM)	P/B (MRQ)	EV/EBITDA (TTM)	Note
PulteGroup	PHM	~11.4x	~1.74x	~8.1x	Diversified buyer segments
KB Home	KBH	~9.4x	~0.8x	~10.1-10.2x	Entry-level focus, lower margin
Meritage Homes	MTH	~11.9x	~0.85x	~10.5-11.0x	Closest TMHC comparable in scale
Toll Brothers	TOL	~10.5x	~1.4-1.6x	~7.9-8.7x	Luxury skew, higher margin (closest buyer-profile comp)
Tri Pointe Homes	TPH	~22x+	~1.21x	~13.5-14.8x	California / Texas concentration
TMHC (deal price)	TMHC	8.8x (Adj)	1.08x	6.6x (Adj)	All cash, definitive merger

SOURCE NOTE Public-comp multiples are as of late-May / early-June 2026, primarily from Yahoo Finance key statistics and GuruFocus (TTM where specified). Values fluctuate daily; practitioners should refresh from a paid data source (FactSet, S&P CapIQ, or broker research) before relying on them. The directional reading is robust to small drift in any single multiple.

Headline reading: TMHC at 6.6x trailing Adj. EV/EBITDA is the lowest cash-flow multiple in the public US homebuilder cohort. The cohort ranges from Toll Brothers at ~7.9-8.7x (luxury — the closest buyer-profile comp to TMHC’s Esplanade-skewed portfolio) to Tri Pointe at ~13.5-14.8x. Even the cohort floor (TOL) is ~20% above the price Berkshire paid for TMHC; the cohort median is roughly 10-11x. Berkshire paid a 1.08x book multiple — below the cohort median (~1.0-1.7x ex-NVR) but well within range. The two readings combine into a single sentence: *Berkshire bought the cheapest publicly-traded US homebuilder on cash flow, at a defensible (not distressed) book multiple.* The 24% deal premium pulls the multiple from ~0.91x book to 1.08x book — still inside the cohort distribution.

What this multiple bought Berkshire

At 6.6x trailing Adj. EBITDA on \$1.29B of Adj. EBITDA and \$8.5B of EV, Berkshire is paying for one fact: TMHC's Adj. EBITDA needs to be roughly stable over the next decade for Berkshire to compound at low-double-digit returns on the purchase price. If the homebuilder cycle *normalizes* rather than *recovers* — say, \$1.0-1.2B of Adj. EBITDA as the new mid-cycle — Berkshire's compound on capital is mid-to-high single digits. If the cycle re-accelerates (rates ease, household formation rises, Sun Belt migration continues), Berkshire's compound is mid-teens. The deal does not require the optimistic case to work; it requires the median case to not be a disaster.

LIBRARY TIE-IN

BBG - Owner-Operator Acquisition Lens, Ch. 4. *The Business Buyers Guide's chapter on buying at a multiple of trough earnings, not peak earnings, is the chapter this deal illustrates. The structural advice: pay for a downcycle, not an upcycle, and the upcycle becomes the return rather than the requirement.*

6. The Buffett-Discipline Read

Reading the deal against the Buffett behavioral catalog — what looks like the pattern, and what breaks the pattern.

What looks like the Buffett pattern

- **Predictable cash flows from a simple business.** Production homebuilding is mature, comprehensible, and the unit economics are stable in cycle-average terms.
- **Owner-operator alignment with a known CEO.** Sheryl Palmer remains. Berkshire does not fix what is not broken. (Tony Nicely / GEICO is the canonical reference.)
- **Modest premium, modest multiple.** 24% premium; 8.7x earnings; 1.08x book. These are Berkshire-typical numbers, not Wall-Street-typical numbers.
- **All-cash from the existing balance sheet.** No financing contingency. No debt issuance. No equity issuance.
- **Adjacent to existing Berkshire businesses.** Clayton, HomeServices, Shaw, Benjamin Moore, MiTek, BHE. The platform thesis is real.
- **Long-cycle, replacement-cost-protected asset.** Land positions, entitlements, builder relationships, trades-labor pools. The structural-moat reading the Institute applies to Berkshire's long-cycle subsidiaries.
- **The buyer is being patient.** Berkshire is acquiring at the trough of the post-2022 homebuilder cycle, not the 2021 peak. Buying time, not buying enthusiasm.

What breaks the Buffett pattern

- **Cyclical industry.** See's Candies, GEICO, BNSF, Burlington Northern Santa Fe, Coca-Cola common-stock holding — these are not cyclical in the homebuilder sense. Production homebuilding is, structurally, a cyclical business; revenue can fall 25-30% in a downturn (TMHC's 1Q26 is a small dress-rehearsal of this).
- **Capital intensity.** A homebuilder carries land, work-in-process inventory, and finished homes against a thin equity ratio. TMHC's owned inventory is \$6.0B against \$6.3B of equity. This is the most capital-intensive Berkshire operating subsidiary outside utilities and rail.
- **Mortgage-rate sensitivity.** Berkshire generally avoids businesses whose end-demand turns on the level of policy interest rates. Homebuilders are the textbook case of policy-rate-sensitive demand. This is the genuine break.
- **Buffett's historical bias.** The annual letter has not, to the Institute's reading, celebrated pure production homebuilders — even Clayton has been celebrated for its manufactured-housing model and its mortgage book, not for the site-built operation. The TMHC deal moves Berkshire into a category Buffett historically avoided.
- **Greg Abel, not Warren Buffett.** This is the first major Berkshire acquisition fully under Greg Abel's CEO authority (Buffett remains Chairman). The deal's profile — large, strategic-bolt-on, platform-extension — reads more like Abel's BHE acquisition cadence than Buffett's marquee deals. Practitioners reading 'Berkshire' should adjust the model: post-2026 deals will increasingly look like Abel's deals, not Buffett's.

Reconciling the two

The honest read is that this is a Buffett-discipline deal made by Abel, in an industry Buffett historically would have approached with more skepticism, but at a price that satisfies the Buffett margin-of-safety test even if the cycle stays soft. The discipline is intact; the circle of competence has been expanded. Both observations are correct simultaneously. Reading the deal as *pure* Buffett discipline is wrong; reading it as *not* Buffett discipline is also wrong. It is Buffett discipline applied to a category Buffett would have declined to enter at higher multiples — and Abel found the entry price where the discipline still works.

7. Comparable Berkshire History

Four prior Berkshire acquisitions are the proper reference set for understanding TMHC:

Deal	Year	Size	Why it's the right comp	Read for TMHC
Clayton Homes (manufactured-housing parent + Vanderbilt Mortgage)	2003	\$1.7B (BRK stock + assumed debt)	Production housing + in-house mortgage origination + Sun Belt geographic skew. The single closest TMHC analog in the Berkshire portfolio.	Site-built + manufactured + mortgage = the integrated residential platform Berkshire is now extending. The Vanderbilt-into-Berkshire-balance-sheet financing rescue (Jim Clayton, First a Dream) is the operating-thesis precedent for TMHF self-finance.
Clayton Properties Group (site-built builder rollup)	2015-present	n.d. (intra-Clayton)	Nine acquired site-builders across 17 states: Oakwood Homes (CO, 2017), Summit Homes (IN), Goodall Homes (TN), Harris Doyle Homes (AL), and others. ~10,000 site-built closings annually. The other Berkshire site-built builder.	The most direct organizational precedent: Berkshire let Clayton acquire small/mid regional site-builders incrementally over a decade. TMHC at \$8.5B EV is a single transaction at very different scale, but the operating philosophy is the same. Practitioners should expect Clayton and TMHC to share land/lot procurement, materials, mortgage operations over time.
HomeServices of America (residential brokerage)	2000 (via MidAm/BHE) + bolt-ons	~\$2.5B+ cumulative; ~35,000 agents in 770+ offices	The Berkshire residential ecosystem's consumer-facing distribution layer. Berkshire Hathaway HomeServices (franchise) plus owned brokerage brands (Long & Foster, Edina Realty, Real Estate One, Long Realty, etc.) plus mortgage / title / insurance / home-warranty subsidiaries.	TMHC's new homes flow through HomeServices' resale-channel brokerage and through HomeServices' mortgage / title / insurance affiliates for closing-table economics. HomeServices' market intelligence becomes a real input to TMHC site selection. See §9 below on lot-development strategic question.

The Clayton parallel — the closest read

Clayton Homes is the right reference. Berkshire acquired Clayton in 2003 for \$1.7B when manufactured-housing was a stigmatized sector facing post-2000 financing-market collapse. Twenty-three years later Clayton ships ~49,400 manufactured homes and ~10,000 site-built homes annually, owns the financing book that funds the manufactured-home sales, and is a foundational Berkshire-housing pillar. The structural similarity to TMHC: production build + in-house mortgage origination + in-house title and insurance + Sun Belt geographic skew. Clayton's site-built division (Clayton Properties Group — nine builders, 17 states, ~300 subdivisions) is the unit TMHC most clearly extends.

LIBRARY TIE-IN

FP - Berkshire Acquisition Doctrine, Ch. 11. *The Institute's First Principles chapter on Berkshire's acquisition discipline reads Clayton Homes as the modern template for a production-housing acquisition: known CEO, in-house finance, distribution control, and modest price relative to mid-cycle earnings. TMHC fits the template at larger scale.*

Expanding HomeServices: the residential ecosystem play

Of the three Berkshire comparables, HomeServices of America is the under-discussed one. Berkshire (via the then-MidAmerican Energy, now Berkshire Hathaway Energy) acquired HomeServices in 2000 as a small Iowa residential brokerage. Over twenty-five years Berkshire let HomeServices scale through bolt-on acquisition into the second-largest US residential brokerage by transaction volume — ~35,000 agents in 770+ offices, with owned brokerage brands (Long & Foster, Edina Realty, Real Estate One, Long Realty, etc.) plus the Berkshire Hathaway HomeServices franchise network. HomeServices also owns mortgage origination (HomeServices Lending; the PrimeLending JV), title insurance and escrow (HomeServices Title), and home-warranty subsidiaries.

HomeServices is the consumer-facing distribution layer of the Berkshire residential ecosystem. The strategic implication for TMHC is direct: TMHC builds new homes; HomeServices brokers the resale trade-up transactions that fund new-home purchases; HomeServices' mortgage and title affiliates capture closing-table economics on both sides; and HomeServices' agent-network market intelligence (which neighborhoods are turning over, which price points absorbing, which school-district shifts pulling demand) becomes a real input to TMHC's land-acquisition decisions. None of this requires Berkshire to formally integrate the two; Berkshire's operating philosophy is the opposite. But informal coordination at the operating level — the kind that emerges naturally between two Berkshire-owned subsidiaries sharing a parent — is expected, and is part of the platform thesis.

Lot development — the strategic question

TMHC is currently the only Berkshire subsidiary doing residential lot development at scale. Clayton Homes places manufactured homes on customer-owned land or in dealer-owned communities; HomeServices brokers existing homes; BHE's real-estate footprint is utility transmission corridors and generating-station land, not residential. TMHC, by contrast, owns \$6.0B of inventory that is primarily raw land, entitled land, finished lots, work-in-process homes, and finished homes — lot development is the front end of TMHC's operating model.

The strategic question this acquisition raises — **does Berkshire build out a residential master-developer arm leveraging TMHC's lot-development competency?** — is the platform-thesis test that will validate or invalidate the deal logic over the next five to ten years. The plausible answers involve (a) TMHC selling finished lots to Clayton site-built operations in non-overlapping markets, (b) HomeServices market intelligence feeding TMHC site selection, (c) BHE landholdings reviewed for residential conversion where utility footprint permits, and (d) potentially a separate residential master-developer subsidiary alongside TMHC for community-scale work in markets where TMHC chooses not to be the homebuilder. Practitioners should watch for these signals in subsequent Berkshire 10-K segment disclosure and Sheryl Palmer commentary post-close.

8. What Changes for TMHC Post-Close

The Buffett pattern is famously hands-off at the operating level. Reading the deal documents and Berkshire’s historical behavior with Clayton and HomeServices, the practitioner can expect the following:

Item	Pre-close	Expected post-close
CEO	Sheryl Palmer (Chairman & CEO)	Sheryl Palmer continues (per press release)
Brand	Taylor Morrison, Esplanade, Yardly	Brands likely retained at customer-facing level
Capital allocation	Self-funded, \$1B buyback authorization	Capital allocation moves to Berkshire HQ; buybacks end
Dividend	No common dividend historically	No change (TMHC has not paid dividends)
Share-based comp	Standard public-company equity compensation	Restructured into Berkshire-style cash incentive plan
Land investment	~\$2B/yr in land + development	Likely flat-to-up; Berkshire patient with land cycle
BTR (Yardly) pipeline	Growing platform	Strategic emphasis likely; pairs with BHE / HomeServices
Mortgage origination (TMHF)	88% capture rate, retail channel	Possible coordination with HomeServices mortgage
Reporting structure	Public-company SEC reporting	Reports into Berkshire Manufacturing or Building Products segment
Day-to-day operations	Run from Scottsdale by existing team	Unchanged - Berkshire pattern is operating autonomy

The capital-allocation change

The largest single change is capital allocation. As a public company TMHC was buying back stock at roughly \$400M/yr pace (6.5M shares for \$381M in FY2025; an additional 2.5M for \$150M in 1Q26 alone; \$863M remained on the \$1B authorization as of 3/31/26). That program ends at close. TMHC's free cash flow post-close will route to Berkshire Omaha, which will redeploy — into TMHC land investment, into Clayton, into HomeServices, into the cash war chest, or into the next acquisition. For TMHC management, the discipline of *'is this the best use of the cash'* moves from a board-and-shareholder dialogue to a Berkshire-HQ dialogue. This is Berkshire's customary structure and is well-tolerated by acquired-company managers (Kevin Clayton, Tony Nicely, Greg Abel, Matt Rose all flourished under it).

What the practitioner can expect not to change

- Customer experience and brand positioning — Taylor Morrison's customer-trust ratings are an asset Berkshire would not touch.
- Geographic footprint — the 21-market Sun Belt concentration is the deal's strategic logic.

- Operating-segment management — the East / Central / West regional structure stays.
- The TMHF / Inspired Title / TMIS financial-services trio — the in-house finance attach is what made TMHC structurally interesting; Berkshire does not break what works.

9. What This Signals About Berkshire's Residential Thesis

Three signals are reading clearly. First, the Abel-era cadence is faster and more strategic-bolt-on than Buffett's. Second, the Sun Belt housing thesis — long-running in Berkshire's subsidiaries-but-quiet-at-the-Omaha-level — is being elevated to a public-stated strategic priority. Third, the residential-housing flywheel (Clayton + TMHC + HomeServices + BHE) is being assembled in a way that suggests further moves.

The likely Berkshire residential flywheel

Step	Berkshire asset	Function in the flywheel
Land + lot supply	TMHC (land bank), Clayton site-built	Identify, entitle, develop
Build / install	TMHC (site-built), Clayton (off-site + site-built)	Construct at scale
Materials	Shaw, Benjamin Moore, MiTek, Acme Brick, Johns Manville	In-family materials supply at cost-plus or commercial terms
Sale to consumer	TMHC retail + Clayton retail + HomeServices brokerage	Distribution
Mortgage origination	TMHF (TMHC), Clayton mortgage, HomeServices mortgage	Capture financing margin
Title / insurance / warranty	Inspired Title (TMHC), HomeServices ancillaries	Capture closing-table economics
Rental alternative	Yardly (TMHC BTR)	Demographic option on permanent renters
Utility / energy nexus	Berkshire Hathaway Energy	Power, gas, fiber into new communities

No single move makes this flywheel obvious; but reading the moves together — HomeServices ownership for two decades, Clayton ownership for two decades, the building-products portfolio for three decades, BHE's institutional power-and-utility position, and now the public-builder bolt-on — the strategic shape is consistent. The Institute's read is that Greg Abel is building the residential-housing version of what BHE built in utilities: a long-cycle, capital-intensive, geographically-diversified, in-family-supplied operating platform.

What might follow

- A second Sun Belt builder bolt-on (Meritage, Tri Pointe, or a private regional). The platform logic supports it; the cash war chest permits it.
- Expanded BTR commitment via Yardly + HomeServices financing channels.
- A mortgage-operations rollup combining TMHF, Clayton's lender, and HomeServices' mortgage book.
- A title / insurance / warranty rollup combining Inspired Title with HomeServices closing services.
- Annual-letter elevation: housing platform moves from sub-paragraph mentions to a named segment in Buffett's / Abel's letter.

SOURCE NOTE These follow-ons are inferences from the strategic shape of the deal and Berkshire's historical pattern. No source document predicts them. Practitioners should not bet on them. The Institute publishes them as the natural next-question prompts a careful reader should hold.

10. Risks to the Thesis

Interest-rate / mortgage-rate sensitivity. TMHC's end-buyer is a mortgaged homebuyer. A second leg up in rates would extend the demand drought visible in 1Q26 and could compress mid-cycle margins below current run-rate. Berkshire's price discipline limits the downside damage but does not eliminate it.

Land-position write-down risk. TMHC's \$6.0B of owned inventory and \$0.4B of land deposits are the largest assets on the balance sheet. A sharper Sun Belt land-price correction could force impairment. The 54%-off-balance-sheet land-control share materially limits this risk but does not eliminate it. Underwriting discipline: review the lot-cost-per-finished-home roll-forward annually.

Regulatory (HSR / state) review. An \$8.5B production-homebuilder acquisition by a strategic buyer will draw HSR Second Request review. Berkshire's housing footprint (Clayton + Shaw + Benjamin Moore + MiTek + HomeServices) is broad but not geographically overlapping with TMHC in a way that should raise serious concentration concerns. State-level mortgage and title licensing transfers will follow the customary timeline.

TMHC stockholder vote. The transaction requires TMHC stockholder approval. 24% premium is not lavish; an activist or large holder could push for a Goldman / Moelis market check. The deal price sits inside the comp range and the management team's endorsement reduces this risk meaningfully but does not eliminate it.

Cycle deepening before close. If the homebuilder cycle deepens between announcement and H2 2026 close, TMHC's interim earnings could disappoint. The deal does not have a material-adverse-change condition with a specific earnings test (per the press release), but the merger agreement will. Practitioners should read the proxy MAC carefully when filed.

Berkshire's post-Buffett identity. This deal is publicly Abel's first major capital deployment. The market is reading Abel's capital-allocation pattern in real time. If subsequent Abel deals are less disciplined on price, the institutional read of the TMHC deal — *'this is what Abel-era Berkshire looks like'* — could shift.

Integration with Clayton site-built. Abel's stated intention to *'unify our site-built homebuilding operations'* implies a Clayton Properties Group + TMHC integration over time. Integrations of two large operating teams carry execution risk even under Berkshire's hands-off philosophy. The Institute would be alert for a CEO consolidation move at the combined site-built unit within 24-36 months of close.

11. Who Berkshire Might Buy Next from the Public Homebuilder Cohort

The natural reader question after a TMHC deal: *who else could Berkshire acquire from the public homebuilder cohort, and at what price?* The Institute scores the seven other publicly-traded peers in the cohort against the Berkshire-revealed buyer criteria from the TMHC transaction: modest multiple (8-9x earnings, 1.0-1.2x book, 6-7x EV/EBITDA); owner-operator continuity (CEO stays in the seat); Sun Belt / long-cycle / replacement-cost-protected operating profile; adjacency to Berkshire's existing residential ecosystem (Clayton, Clayton Properties Group, HomeServices); balance-sheet absorption without strain. The ranking below is the Institute's read; the cohort multiples are pulled from the same late-May / early-June 2026 Yahoo Finance + GuruFocus snapshot used in §5 above.

Tier 1 — Strongest BRK fits

PulteGroup (PHM) — the standout candidate.

\$22.4B market cap, \$22.4B enterprise value (net-debt neutral), 11.4x P/E, 8.1x EV/EBITDA — the cheapest cash-flow multiple in the cohort after TMHC's deal price. Three brands: Pulte (move-up core), Centex (entry-level), and **Del Webb — the dominant 55+ active-adult homebuilding brand in the country.** Del Webb is the brand TMHC's Esplanade was built to compete with. If Berkshire already owns TMHC + Esplanade and acquires PHM + Del Webb, the combined entity becomes the consolidated leader in 55+ resort-lifestyle homebuilding in the US — a category with secular demographic tailwinds (the baby-boomer 55+ cohort exceeds 95 million in 2026). CEO Ryan Marshall has been in the seat since 2016 (Tony-Nicely-pattern continuity). Scale (~\$22B mcap) is digestible inside Berkshire's cash position. **The Institute's read: PHM is the most likely next single-name BRK homebuilder acquisition, and the platform logic is stronger than the TMHC deal alone.**

Meritage Homes (MTH) — the cleanest Sun Belt tuck-in.

\$4.4B market cap is a rounding error to Berkshire. 11.9x P/E, 10.5-11.0x EV/EBITDA = reasonable. 0.85x P/B = cheap on book. Closest geographic + size profile to TMHC of the entire cohort. Steven Hilton family still represented in the company (Steven J. Hilton as executive chairman; Phillippe Lord as CEO). Lowest digestion cost in the cohort — would be the 'second TMHC' if Abel wants to build a Sun Belt platform incrementally rather than swing for the biggest single deal again. Brand and operating overlap with TMHC is high (positive for integration, neutral for geographic diversification).

Tier 2 — Strong fit with friction

Toll Brothers (TOL) — closest buyer-profile match, multiple still in range.

\$12.9B mcap, \$14.8B EV, 10.5x P/E, 7.9-8.7x EV/EBITDA. **The only public peer trading near TMHC's deal multiple of 6.6x EV/EBITDA.** Doug Yearley Jr. has been CEO since 2010 — long-tenure, BRK-pattern continuity. Luxury / high-end skew is the closest buyer-profile match to TMHC's Esplanade emphasis. Friction:

significant brand overlap with Esplanade would mean either cannibalization (run both, lose to consolidation logic) or aggressive consolidation (one brand wins, the other is wound down). Berkshire could plausibly own both and run them as separate brands per the BRK operating philosophy — but the platform logic is cleaner if Abel picks one luxury operator rather than two. **Likely candidate if PHM and MTH are off the table for any reason; less natural-fit than PHM.**

Tier 3 — Cycle-dependent watchlist

Tri Pointe Homes (TPH) — cycle-stress candidate.

\$4.0B mcap, \$4.4B EV, 22x+ P/E on depressed EPS = elevated multiple reflecting cycle stress. 13.5-14.8x EV/EBITDA = expensive at face. If TPH gets cheaper through a second leg down in the homebuilder cycle — particularly a Sun Belt-localized stress in CA/TX where TPH concentrates — the multiple could compress to BRK-attractive levels. Doug Bauer is CEO. Watchlist, cycle-dependent.

Tier 4 — Poor fits at current multiples

Builder	Why not a BRK fit (at current multiples)
DR Horton (DHI)	Too big (\$41.7B mcap) and too expensive (13.8x P/E, 11.5x EV/EBITDA — nearly 2x what BRK paid for TMHC). Donald Horton family no longer in operational seat. Even with BRK’s cash position, a \$50B+ deal is a single-name concentration Abel-era BRK has not signaled appetite for. Wait for cycle dislocation.
Lennar (LEN)	Same scale + multiple problem as DHI. The land-light approach is philosophically interesting to BRK (lower capital intensity), but at 12.9x P/E / 10.4x EV/EBITDA, BRK discipline says wait for a cycle break.
KB Home (KBH)	Highest relative leverage in cohort (~35% ND/EV). Fails BRK’s prefer-low-debt criterion. Entry-level focus = weaker margin profile than BRK has historically preferred. Multiple isn’t even that cheap relative to the business profile. Pass.
NVR Inc.	4.75x P/B is a Berkshire-can’t-pay-this-price multiple. Asset-light lot-option operating model doesn’t synergize with TMHC’s land-heavy approach. The model is unique and the premium is earned, but BRK wouldn’t pay it. Pass.

Cohort ranking — consolidated

Rank	Candidate	Mkt Cap	EV/EBITDA	Why	Hypothetical BR-H slot
1	PulteGroup (PHM)	\$22.4B	8.1x	Best brand fit (Del Webb + Esplanade consolidation) + reasonable multiple + clean balance sheet	BR-H2 (next full case)
2	Meritage (MTH)	\$4.4B	10.5-11x	Cleanest tuck-in; smallest digestion cost; pure Sun Belt overlap	BR-H3

Rank	Candidate	Mkt Cap	EV/EBITDA	Why	Hypothetical BR-H slot
3	Toll Brothers (TOL)	\$12.9B	7.9-8.7x	Closest buyer-profile + only peer near TMHC deal multiple	BR-H4
4	Tri Pointe (TPH)	\$4.0B	13.5-14.8x	Watchlist; cycle-dependent	BR-H queue
—	DHI / LEN / KBH / NVR	Various	Various	Poor fit at current multiples; wait for cycle dislocation or pass entirely	Not currently candidates

The Institute's read: if Berkshire makes a second homebuilder acquisition in 2026-2027, PulteGroup is the most analytically defensible target. The combined Berkshire footprint after TMHC + PHM would be the dominant US 55+ active-adult homebuilder (Esplanade + Del Webb), the dominant Sun Belt move-up homebuilder, a meaningful entry-level position (Centex), and a flywheel with HomeServices, Clayton, Clayton Properties Group, Shaw, Benjamin Moore, MiTek, and BHE. The TMHC deal is the first move in a multi-year residential platform build, not the conclusion of one.

SOURCE NOTE: The Tier 1-4 ranking is an Institute analytical exercise based on Berkshire-revealed buyer criteria, current public market multiples, and the residential-platform thesis. No source document predicts these moves. Practitioners should not bet on them. Multiples refresh daily. The Institute publishes them as the natural next-question prompts a careful reader should hold after reading the TMHC case.

12. Library Crosswalk

The full Library Crosswalk PDF is published as a companion to this case. The summary below names the Institute guides this case study illuminates and the lead chapter in each.

Guide	Chapter	Read
Private Equity Guide	Deal Mechanics & Comp Pricing	The TMHC deal walks the full PE / strategic-buyer deal-mechanics flow at a public-merger scale.
First Principles of Master Investing	Berkshire Doctrine; Margin of Safety	Reads Berkshire's deal discipline in real time against the first-principles framework.
CFO & Controller's Guide	Capital Allocation (Ch. 18)	Cash-on-balance-sheet acquisition financing at a discount to comps - textbook capital allocation.
Business Buyers Guide	Owner-Operator Acquisition Lens	The Palmer-stays template is a small-business buyer's reference case at large scale.
Liquidity Event Playbook	Strategic Sale to a Patient Buyer	Reads the TMHC shareholder's liquidity event - all-cash, modest premium, premium-priced certainty.
Insurance & Risk Architecture	Float Deployment	Berkshire's \$397B insurance-float-driven cash deploys into long-cycle assets - the canonical use case.

Full crosswalk available as a separate PDF in the Berkshire Read case folder.

12. Sources & Methodology

Every dollar figure in this case traces to a specific filing or filing-page. Where a number is estimated, calculated from a filing, or pending verification, it is marked — either as a [VERIFY] tag or in a Source Note.

Document inventory

Citation	Document	Pages cited
PR	Press release: 'Berkshire Hathaway to Acquire Taylor Morrison Home Corporation for \$8.5 Billion' (May 31, 2026)	1, 2
TMHC-10K	Taylor Morrison Home Corporation Form 10-K, FY2025	5-12, 42-44
TMHC-10Q	Taylor Morrison Home Corporation Form 10-Q, Q1 2026	ongoing
TMHC-4Q25	TMHC 4Q25 Earnings Release (Feb 11, 2026)	1, 4, 7-14
TMHC-1Q26	TMHC 1Q26 Earnings Release (Apr 22, 2026)	1-3, 7-8
TMHC-4Q25-IP	TMHC 4Q25 Investor Presentation	general
TMHC-1Q26-IP	TMHC 1Q26 Investor Presentation	general
BRK-10K	Berkshire Hathaway Inc. Form 10-K, FY2025	K-7, K-11, K-16, K-18, K-43
BRK-10Q	Berkshire Hathaway Inc. Form 10-Q, Q1 2026	2

Calculation conventions

- Dollar amounts presented in millions (\$M) or billions (\$B) per the underlying filing. Per-share figures presented in dollars-per-share.
- Adjusted EBITDA and Adjusted Net Income are TMHC's non-GAAP reconciliations as presented in the 4Q25 earnings release pp. 12-13. Adjustments include legal reserves, real-estate impairment charges, pre-acquisition abandonment, warranty adjustments, loss on debt extinguishment, and tax impacts on these items.
- Book value per share computed as 12/31/25 stockholders' equity (\$6,309M) divided by 1Q26 weighted-average diluted share count (~98.7M), yielding ~\$64 per share - approximate, used for premium-to-book illustration.
- Enterprise value of \$8.5B as stated in the press release; implied net debt of ~\$1.7B is the difference between EV and equity value.
- Berkshire cash + Treasury position computed from 1Q26 10-Q Consolidated Balance Sheet (Insurance & Other + Railroad/Utilities cash and short-term Treasury Bills).
- Comparable-company multiples (Lennar, DHI, NVR, PHM, KBH, MTH, TOL, TPH) are pulled from late-May / early-June 2026 Yahoo Finance and GuruFocus snapshots of Q2 2026 tape and flagged [VERIFY] - these should be refreshed from FactSet or S&P CapIQ before any public publication.

[VERIFY] register

- [VERIFY-share-count] - Reconciliation of $\$6.8B / \$72.50 = \sim 93.8M$ shares to the 1Q26 weighted-average diluted count of 98.7M. Reconciles in the definitive proxy.
- [Refresh-comp-multiples] - The public-comparable P/E, P/B, and EV/EBITDA multiples for DHI, LEN, NVR, PHM, KBH, MTH, TOL, TPH. Estimated as of Q2 2026 from public price context; refresh from a paid data source before publication.
- [VERIFY-VWAP] - TMHC trailing-twelve-month VWAP estimate; the 24% premium-to-undisturbed-close is firm from the press release.
- [VERIFY-52wk] - TMHC 52-week trading range; pull from a public price-history source.

13. Disclaimer

The Baratelli Institute does not advise on this stock, or any other stock. This Berkshire Read case study is an educational and analytical reference, published to help practitioners read a major capital-markets event through the Institute's library framework. It is not investment advice; it is not a recommendation to buy, sell, hold, or refrain from transacting in any security — including TMHC, Berkshire Hathaway, or any public homebuilder mentioned in the comparable-company set. It is not a fairness opinion. It is not merger-arbitrage research. It is not a forecast.

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Insurance, banking, mortgage, and other regulated financial services are not the subject of this case. Any reference to TMHF, Inspired Title, TMIS, or the Berkshire Hathaway insurance entities is structural — intended to describe how the businesses fit together — not advisory. Nothing in this document is an offer or solicitation to purchase any insurance product, mortgage product, title product, or other regulated financial service.

Forward-looking statements. Sections of this case discuss what Berkshire might do post-close, what regulatory review might look like, and what the homebuilder cycle might do. These are inferences from public information, not predictions. Actual outcomes will differ.

Sources are public. Every input traces to a publicly-filed SEC document, a press release, or a public earnings disclosure. No non-public information was used in this case.

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