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BERKSHIRE READ · CASE 1 · MENTORING AT SCALE

Taylor Morrison Homes

A Berkshire Hathaway Acquisition

\$8.5B all-cash · \$72.50/sh · 24% premium · announced 2026-05-31

DISCLOSURE: Phil Baratelli, the author, owns Berkshire Hathaway Class B (BRK.B) shares personally.

Educational case. The Baratelli Institute does not advise on this stock or any other. Not investment advice.

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Executive Summary

- Berkshire Hathaway acquires Taylor Morrison Homes (TMHC) for \$72.50/sh in cash. ~\$6.8B equity, ~\$8.5B EV, 24% premium to undisturbed close.
- Five reasons this is a textbook Berkshire deal:
 - (1) Modest multiple: 1.08x book, 6.6x FY2025 Adj. EBITDA, 8.7x GAAP earnings — mid-cycle-trough multiples, not 2021 peak.
 - (2) Owner-CEO stays: Sheryl Palmer remains Chairman + CEO (Tony Nicely / GEICO pattern).
 - (3) Asset-light land book: 54% of 78,835 lots controlled off-balance-sheet — limits land-price write-down risk.
 - (4) Berkshire residential flywheel: Clayton + TMHC + Clayton Properties Group + HomeServices + Shaw + Benjamin Moore + MiTek + BHE.
 - (5) All-cash from BRK's \$397B cash + Treasuries position — no financing contingency, no debt or equity issuance.
- Largest residential-construction acquisition in Berkshire history. First publicly-listed national production homebuilder BRK has owned.
- Greg Abel signals: Clayton-plus-TMHC-plus-HomeServices integrated residential platform, not a one-off opportunistic buy.

Deal Terms

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 from BRK balance sheet	Press release p.1
Equity value	~\$6.8B (~93.8M shares at close)	Press release p.1
Enterprise value	~\$8.5B (implies ~\$1.7B net debt assumed)	Press release p.1
Premium to undisturbed close	24% (\$72.50 / \$58.50 close 5/29/26)	Press release p.1
Premium to TMHC book value/sh	13% (\$72.50 / ~\$64 BVPS)	BVPS = \$6,309M / ~98.7M sh
Expected close	H2 2026 (TMHC stockholder vote + regulatory)	Press release p.2
Management continuity	Sheryl Palmer remains Chair + CEO	Press release p.2
TMHC advisors	Goldman Sachs, Moelis (financial); Simpson Thacher (legal); Mayer Brown (regulatory)	Press release p.2
Listing post-close	TMHC delists from NYSE; private subsidiary	Press release p.2

Valuation Math — Multiples Berkshire Paid

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)	\$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

BRK pays the lowest cash-flow multiple in the public US homebuilder universe (next slide). The pricing is Berkshire-typical, not Wall-Street-typical.

Public Homebuilder Comparables

Builder	Ticker	Mkt Cap (\$B)	EV (\$B)	P/E (TTM)	P/B (MRQ)	EV/EBITDA (TTM)	Div Yield
DR Horton	DHI	\$41.71	\$46.43	13.8x	1.77x	11.5x	0.9%
Lennar	LEN	\$22.06	\$24.93	12.9x	1.01x	10.4x	1.5%
NVR Inc.	NVR	\$16.52	\$15.89	14.9x	4.7–4.8x	9.5–9.6x	0.0%
PulteGroup	PHM	\$22.42	\$22.38	11.4x	1.74x	8.1x	1.0%
KB Home	KBH	\$3.20	\$4.92	9.4x	0.80x	10.1–10.2x	2.0%
Meritage Homes	MTH	\$4.35	\$5.49	11.9x	0.85x	10.5–11.0x	1.7%
Toll Brothers	TOL	\$12.93	\$14.75	10.5x	1.4–1.6x	7.9–8.7x	1.0%
Tri Pointe Homes	TPH	\$4.00	\$4.40	22.0x+	1.21x	13.5–14.8x	0.0%
TMHC (deal price)	TMHC	\$6.80	\$8.50	8.8x	1.08x	6.6x	0.0%

Source: Yahoo Finance + GuruFocus snapshots, late-May/early-June 2026. Refresh from FactSet/CapIQ before publication.

The Headline: Cheapest Cash-Flow Multiple in the Cohort

TMHC deal at 6.6x trailing Adj. EV/EBITDA is the LOWEST cash-flow multiple

in the entire public US homebuilder cohort. Cohort range: 7.9x – 14.8x. Cohort median: ~10.4x.

- Even the cohort floor (Toll Brothers, 7.9–8.7x, the closest buyer-profile comp to TMHC's Esplanade emphasis) is ~20% above the price Berkshire paid.
- Cohort median EV/EBITDA is ~10.4x — Berkshire paid 37% below median.
- On P/B: TMHC at 1.08x is below the cohort median (~1.36x ex-NVR) but well within range. Story is NOT distressed book value.
- Combined reading in one sentence: Berkshire bought the cheapest publicly-traded US homebuilder on cash flow, at a defensible (not distressed) book multiple.
- The 24% deal premium pulled TMHC from 0.87x book to 1.08x book — still below cohort median 1.36x.

Berkshire Balance-Sheet Thesis

BRK reported \$51.5B insurance cash + \$339B Treasuries + \$6.6B rail/utility cash at 3/31/26. Four specific effects on TMHC:

- 1. SELF-FINANCE the captive mortgage platform. TMHF (TMHC's in-house mortgage, 88% capture rate) migrates from third-party warehouse + GSE securitization to Berkshire-balance-sheet self-funding. Direct parallel to 2003 Clayton/Vanderbilt rescue from the MH-securitization freeze (per Jim Clayton, First a Dream).
- 2. REDUCE interest-rate / availability risk. TMHC's \$1.46B senior notes (\$47M FY25 interest), revolver, and warehouse facilities all carry homebuilder credit spread that widens in cycle stress. Inside BRK, the effective cost of capital is Berkshire's, not TMHC's. Spread + capital-availability air-pocket risk absorbed by parent.
- 3. ELIMINATE public-company-cost overhead. ~\$15–25M annually in PCAOB audit + SOX 404 + 10-K/10-Q/8-K + proxy + listing fees + D&O premium + IR team + board comp. Management-attention savings (no Reg-FD quiet periods, no earnings-call cadence, no quarterly capital-markets management) more valuable than the dollar savings.
- 4. ELIMINATE activist + short-seller + sell-side overhead. Palmer's team can extend lot positions across multi-year cycles, accept lower current-period margin in service of community quality, and run Esplanade expansion at the operating cadence — not the Street's.

Berkshire Residential Ecosystem — The Comparable Subs

Sub	Year	Size	Why it's the right comp	Read for TMHC
Clayton Homes (manufactured + captive lender Vanderbilt Mortgage)	2003	\$1.7B (BRK stock + assumed debt)	Production housing + in-house mortgage origination + Sun Belt skew. Closest TMHC analog in BRK.	Vanderbilt-into-BRK financing rescue is the operating-thesis precedent for TMHF self-finance.
Clayton Properties Group (site-built rollup of 9 acquired builders)	2015–present	n.d. intra-Clayton	Oakwood Homes (CO 2017), Summit (IN), Goodall (TN), Harris Doyle (AL), and others. ~10,000 site-built closings annually.	Most direct organizational precedent: BRK lets Clayton acquire small/mid regional site-builders incrementally. Expect TMHC + Clayton to share land/lot procurement, materials, mortgage operations over time.
HomeServices of America (residential brokerage + mortgage + title + warranty)	2000 + bolt-ons	~\$2.5B+ cumulative; ~35,000 agents	Berkshire Hathaway HomeServices franchise + Long & Foster, Edina Realty, Real Estate One, Long Realty + mortgage/title/insurance/warranty subs.	Consumer-facing distribution + market intelligence + closing-table economics. TMHC new homes flow through HomeServices resale brokerage.

The Strategic Question: Berkshire as Master Developer?

TMHC is currently the only Berkshire subsidiary doing residential lot development at scale.

\$6.0B of owned inventory = primarily raw land, entitled land, finished lots, WIP, finished homes.

- Clayton Homes: manufactured homes on customer-owned land or dealer parks (not lot dev at scale).
- HomeServices: brokers existing homes (no lot dev).
- BHE Real Estate: utility transmission corridors and generating-station land (not residential).
- The platform-thesis test: does BRK build out a residential master-developer arm leveraging TMHC's lot competency?
- Plausible answers: (a) TMHC sells finished lots to Clayton site-built in non-overlapping markets; (b) HomeServices market intelligence feeds TMHC site selection; (c) BHE landholdings reviewed for residential conversion where utility footprint permits; (d) separate residential master-developer subsidiary alongside TMHC for community-scale work.
- Watch for: Berkshire 10-K segment disclosure post-close + Sheryl Palmer commentary post-merger.

Who Berkshire Might Buy Next from the Cohort

Rank	Candidate	Mkt Cap	EV/EBITDA	Why	BR-H slot
1	PulteGroup (PHM)	\$22.4B	8.1x	Best brand fit (Del Webb + Esplanade 55+ consolidation) + reasonable multiple + clean balance sheet (net-debt neutral)	BR-H2 (next case)
2	Meritage (MTH)	\$4.4B	10.5-11x	Cleanest tuck-in; smallest digestion; pure Sun Belt overlap; 0.85x P/B = cheap	BR-H3
3	Toll Brothers (TOL)	\$12.9B	7.9-8.7x	Closest buyer-profile + only peer near TMHC deal multiple; luxury brand overlap = consolidation friction	BR-H4
4	Tri Pointe (TPH)	\$4.0B	13.5-14.8x	Cycle-dependent watchlist; CA/TX concentration overlaps TMHC West	BR-H queue
—	DR Horton	\$41.7B	11.5x	Too big + too expensive at current multiples. Wait for cycle dislocation.	Pass
—	Lennar	\$22.1B	10.4x	Same scale + multiple problem as DHI. Land-light philosophy is interesting; wait for cycle break.	Pass
—	KB Home	\$3.2B	10.15x	Highest cohort leverage (35% ND/EV). Fails BRK low-debt criterion. Entry-level margin profile.	Pass
—	NVR Inc.	\$16.5B	9.55x	4.75x P/B Berkshire-won't-pay. Asset-light lot-option model doesn't synergize with TMHC.	Pass

The Buffett-Discipline Read

What looks like the Buffett pattern

- Predictable cash flows from a simple business
- Owner-operator alignment with known CEO (Palmer stays)
- Modest premium, modest multiple (24%, 8.7x earnings, 1.08x book)
- All-cash from existing balance sheet (no financing contingency)
- Adjacent to existing BRK businesses (Clayton, HomeServices, Shaw, etc.)
- Long-cycle, replacement-cost-protected asset
- Buyer is patient (trough of cycle, not 2021 peak)

What breaks the Buffett pattern

- Cyclical industry (homebuilder revenue can fall 25-30% in downturn)
- Capital intensity (TMHC owned inventory \$6.0B vs \$6.3B equity)
- Mortgage-rate sensitivity (BRK avoids policy-rate-driven end-demand)
- Lower margin than See's / GEICO / BNSF historical comps
- First Abel-era major capital deployment — different signaling weight

Reconciliation: This is Buffett discipline made by Abel, in an industry Buffett would have approached with more skepticism, but at a price that satisfies the margin-of-safety test even if the cycle stays soft. Circle of competence expanded; discipline intact.

TMHC as a Business

341 active selling communities across 21 markets in 12 states (12/31/25). Sun Belt concentration (TX, FL, AZ, NV, NC, GA, CO, WA).

Brand	Buyer Segment	Position	ASP
Taylor Morrison	Entry-level + move-up	Core homebuilding; broadest geographic reach	~\$570-590K
Esplanade	55+ active-adult / resort lifestyle	Higher-margin, amenity-heavy; the growth lever (~50% all-cash buyers)	Superior ASPs
Yardly	Build-to-rent (single-family rental)	Asset-light BTR platform	Build-cost basis

- Financial-services trio: TMHF (in-house mortgage, 88% capture rate) + Inspired Title + TMIS (homeowner's insurance) = \$209M FY25 revenue.
- FY2025: \$8.12B revenue, \$782.5M net income, \$1.29B Adj. EBITDA, 22.5% home closings gross margin, 12,997 closings at \$597K ASP.
- Pure-buyback returner: never paid a dividend since 2013 IPO. \$381M FY25 buybacks; ~\$1.5B cumulative since program inception.

Risks to the Thesis

- Interest-rate / mortgage-rate sensitivity. Second leg up in rates extends demand drought; BRK price discipline limits, doesn't eliminate, downside.
- Land-position write-down risk. \$6.0B owned inventory + \$0.4B land deposits = largest assets on balance sheet. Sharper Sun Belt land-price correction could force impairment (54% off-balance-sheet land-control limits this).
- Regulatory (HSR / state) review. \$8.5B strategic-buyer deal draws Second Request. BRK housing footprint broad but not geographically overlapping with TMHC; no serious concentration concern.
- TMHC stockholder vote. 24% premium not lavish; activist could push for market check. Deal multiple inside comp range + management endorsement reduces risk.
- Cycle deepening before close. If cycle deepens H1-H2 2026, interim earnings could disappoint. Read the proxy MAC carefully when filed.
- Berkshire post-Buffett identity. First Abel major capital deployment. Market is reading Abel-era pattern in real time — less-disciplined subsequent deals would re-rate the read on TMHC.

Baratelli Institute Library Crosswalk

Six Institute guides illuminate this deal from different lenses:

Guide	Lead Chapter	How It Frames the Case
Private Equity Guide	Deal Mechanics & Comp Pricing	Walks the full PE / strategic-buyer flow at public-merger scale
First Principles of Master Investing	Berkshire Doctrine; Margin of Safety	Reads BRK'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	Palmer-stays template is a small-business buyer's reference case at large scale
Liquidity Event Playbook	Strategic Sale to a Patient Buyer	TMHC shareholder's liquidity event — all-cash, modest premium, premium-priced certainty
Insurance & Risk Architecture	Float Deployment	BRK's \$397B insurance-float-driven cash deploys into long-cycle assets — the canonical use case

What's in the Berkshire Read Case 1 Package

Component	Format	What it gives the reader
Case Memo (36 pp)	PDF	Full practitioner walkthrough: deal terms, valuation math, TMHC business, comps, Berkshire-thesis, risks, residential platform, who BRK might buy next
Library Crosswalk (12 pp)	PDF	Maps the case onto 6 Institute guides; shows where each guide's chapters carry the analytical lens
Excel Deal Model (10 tabs)	XLSX + PDF	README/Drivers, Historical Financials, Deal Math, Public Comps (mcap+EV+debt+yield), Sensitivity, BRK Segment Fit, Comp Valuation Summary, Dividend/Buyback, Footnotes, Library Crosswalk. Print-formatted one-page-per-tab.
IC Presentation Deck (this file)	PPTX + PDF	Executive committee read-out for partner/board-style audiences
Combined PDF Bundle	PDF	Cover + ToC + part dividers + all four components in one print-ready/email-ready file

First case in the Berkshire Read franchise. Hypothetical cases (BR-H1 CLF, BR-H2 PHM, BR-H3 MTH, BR-H4 TOL) queued.

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Thank You

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DISCLOSURE: Phil Baratelli, the author, owns Berkshire Hathaway Class B (BRK.B) shares personally.

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