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Coverage Initiation

Industry: Real Estate

URBANLUXE HOMES LLC

Leading NW Player Offers High-Growth, Replicable Model

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COMPANY SUMMARY

UrbanLuxe Homes LLC is long-time, well-regarded luxury homes provider in the Portland, Oregon market. Tracing its roots to predecessor firms in 1999, the Company has over 1000 restored or new construction homes under its belt. Today, UrbanLuxe Homes accounts for 1 in 3 new luxury homes in Portland. With an emphasis on urban redevelopment, the Company is focused on offering luxury homes for sale or rent in Portland's top 10 neighborhoods, with an eye for other major markets in the Northwest.

KEY STATISTICS

Inception Date (predecessor)	1999
Funding-to-Date	\$16M
Fair Market Value (private)	\$21.6M
Proj Public Mkt Val (3 Years)	\$164.5M
Funding Sought	\$50M

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

UrbanLuxe Homes is an early mover in a fast-growing segment of the real estate market. The migration to urban luxury across the country is evident in Portland, where the Company is enjoying outsized asset and revenue growth.

With a long history of success, the Company is uniquely positioned to succeed and scale its business as compared with its peers. Management boasts over 1000 restored or new construction, \$423 million in real estate sales and \$60 million in loans repaid.

Management's approach and focus is on the Portland market, with an eye to take its replicable model to Seattle, Denver, and Boise, which have similar demographics.

Buoyed by M&A and lending activity, UrbanLuxe Homes is primed to enjoy meaningful capital inflows, M&A, or an IPO. It boasts enviable returns in terms of ROE, and consistent double-digit returns for its investors.

We project revenue and net income will rise from \$15.7 million in revenue and \$272,000 in operating profit in 2017 to \$95 million and \$15.7 million in 2020.

Based on peer group metrics including P/E, Price/Book Value, we estimate that UrbanLuxe Homes is worth \$21.6 million as a privately-held entity and that it could be worth \$64 million if it were a public entity. Thus, we believe it could rise in value to \$164.5 million in 3 years.

COMPANY OVERVIEW

The View from 30,000 Feet

Tracing its roots to 1999 as Portland Development Group and Portland Development Group Investments (PDGI), the newly branded **UrbanLuxe Homes LLC** is primed to transform the luxury real estate market in Portland, Oregon, and other major cities in the Northwest. An early mover and enviable performer in the fast-growing buy, upscale/remodel, sell/rent in top ten luxury urban neighborhoods in Portland, the Company is the market leader in luxury real estate in its core market. Under new management since 2013, UrbanLuxe Homes now accounts for one in three luxury homes (north of \$800,000) built in Portland.

With over 1000 restored homes or those built via new construction under its belt, the UrbanLuxe Homes approach, focused target markets, and the principals' long history of success should result in continued strong returns. Since inception, UrbanLuxe Homes has generated enviable asset, sales and profit returns for its investors:

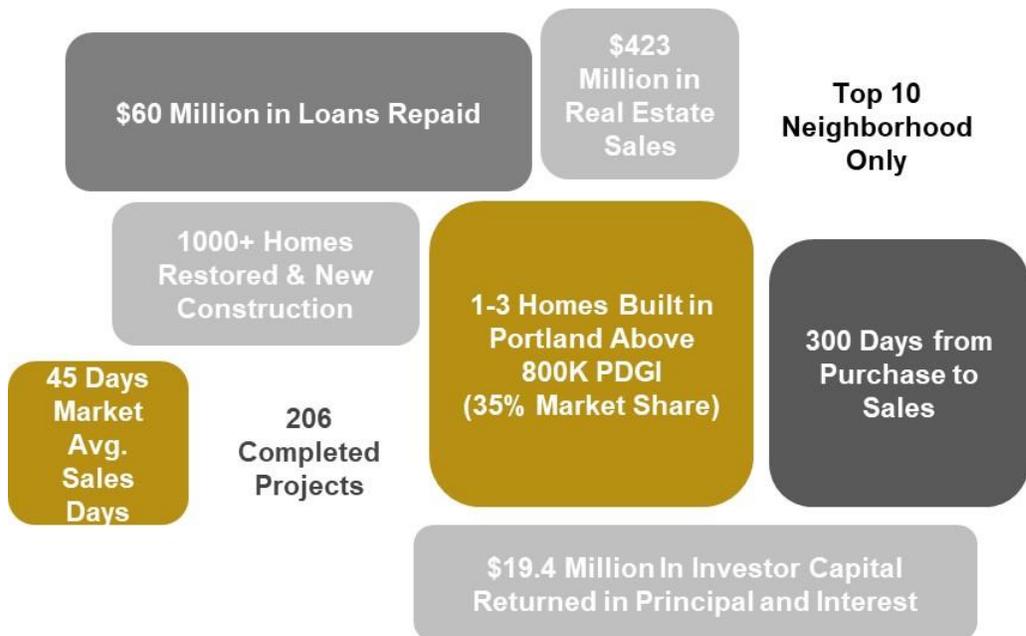


Figure 1: UrbanLuxe InfoGraphic
Source: UrbanLuxe Homes

Plus, assets have jumped from \$19.4 million at the end of 2Q17 to \$35.9 million at the end of 2Q18, while equity has more than tripled from \$5.8 million to \$16.6 million. Moreover, given the wide variety of growth options ahead, we believe that the Company's go-forward evolution from a dominant local leader to a major northwest regional player on an institutional real estate level will culminate in substantial capital inflows, a series of valuation rises, and could result in an acquisition or IPO.

The Skinny

A diversified, real estate firm whose funds invest primarily in luxury homes to be built or remodeled on an upscaled basis for resale or rental, UrbanLuxe Homes is a highly regarded luxury homebuilder that builds 40-50 high-end homes annually, in Portland's top ten neighborhoods. In our view, the demographics for the Company line up like a perfect storm for market growth, penetration, scale, and profitability that are ultimately replicable in markets such as Seattle, Denver, and Boise.



The Portland area benefits from an influx of leading, high-growth and tech-centric businesses employing young, high-wage workers. Firms from higher priced markets in Northern California (and in the SeaTac area as well) view Portland as an affordable city with great amenities, culture, and a lower cost of living. As a result, the housing market has been, and is expected to remain robust. Moreover, given the national and local trends regarding the makeup and expanding growth rates of millennial home purchasers and renters, Portland is arguably the model for urban, luxury living. Millennials actively seek out urban city centers with access to health, wellness, entertainment, services, etc. in a luxury home setting---which they can afford given their high salaries. Interestingly, while most tend to rent, an increasing number are migrating towards purchasing new or remodeled upscale homes in Portland's key urban centers.

Thus, major businesses such as **Nike (NYSE – NKE – NR)**, **Intel (NASDAQ – INTC – NR)**, **Amazon (NASDAQ – AMZN – NR)** **eBay (NASDAQ – EBAY – NR)**, and others have corporate headquarters, regional offices, or major outposts in the region. Universities and research facilities abound as do access to water, mountains, bike trails, dining, cultural events, etc., which are highly sought-after attributes for these home buyers or renters.

Against this backdrop, the Company's focused, in-demand segment is poised to serve as an asset and profit driver. As evidenced by its asset growth and profitability, UrbanLuxe Homes has reached a key inflection point in its evolution whereby the Company and its principals are set to attract substantial institutional investment via its current or modified future structures. Leveraging its history and current market conditions, UrbanLuxe Homes' closing of these prospective investments should coincide with valuations higher than typical private funds of this type and size.

The Model

The UrbanLuxe Homes model is simple and effective---perhaps these are the keys to its success. The Company's team buys single and multi-unit properties in urban areas, often 80-100 years old, remodels them with 21st century floor plans, layout, amenities and technology and either sells them or rents them to qualified residents. A typical \$220,000 acquired property may (be worth) or sell for north of \$500,000, with a ROI of 35% as a rule of thumb. From purchase through sale tends to take 300 days with an average of 45 days on the market. Since the Company also serves as a General Contractor for much of its work, operating expenses are reduced, enhancing profitability.

Alternatively, UrbanLuxe Homes also builds new construction in Portland's top ten neighborhoods, engaging in the same type of high-end, luxury floor plans.

The Company's (or Fund's) lenders typically lend the Company on a 55-70% LTV basis, with hard-money from investors used to leverage opportunities and pay for operating expenses. As evidenced by the Company's high growth rates of late, the model's success is based upon access to capital to scale the business and renters providing steady income streams. The greater the access and scale, the greater the returns (given certain fixed costs and other leverage) as management has a proven, systematic approach with hundreds of transactions under its belt.

For 2017, UrbanLuxe Homes generated \$15.7 million in revenue and \$272,000 in operating profit with an estimated \$33.4 million and \$2.9 million in estimated revenue and profit recorded for 2018, respectively. Going forward, it is anticipated that with additional equity and loans to the Firm, management will be able to fund additional deals. Assuming the closing of \$50 million in additional capital this year, we believe that revenue could reach \$63.7 million and \$9.1 million in operating profit, jumping to \$85 million and \$13.6 million in operating profit for 2020. To be conservative, these figures reflect a low growth versus high growth scenario, as provided later in this report, for comparative purposes.

The Opportunity

At present, management is seeking to raise \$50 million (\$35M debt/\$15M equity) to accelerate its business model in Portland. This capital could come in the form of investment in its new fund (which pays investors 15% with a 3% discount/distribution at redemption) and/or credit line. Also, we envision UrbanLuxe Homes as a public entity, either as a residential construction company or even as a REIT. Thus, future raises remain in the cards, especially if management begins to execute on a strategy to enter other markets via roll-up or other moves. We are clearly not alone in our sentiment as the Company has raised over \$16M to date, including from highly regarded angel investor groups, such as the Keiretsu Forum. Moreover, given its

strong history, UrbanLuxe Homes boasts credit lines with a number of top tier banks, investment banks, such as **M&T Bank (NYSE – MTB – NR)** and **Goldman Sachs (NYSE – GS – NR)**, along with other sources.

The Valuation

In our view, UrbanLuxe Homes has an enviable positioning which should result in substantial funding in the near term with an IPO and/or an acquisition in the next few years, commanding a premium valuation. Given recent events and current activity in the segment and the industry at large, we envision one or more of the following paths to success, along with the associated valuation scenarios.

Builders and IPO

This sector has been active on the M&A front with major players buying smaller or niche players for cash in markets across the country. These include **Toll Brothers (NYSE – TOL – NR)**, **Lennar (NYSE – LEN – NR)**, **Taylor Morrison (NASDAQ – TMHC – NR)** and others, and we believe that as UrbanLuxe scales in its current and future markets (through roll-ups or entry) it is well-positioned to be the beneficiary of such activity. Based on our initial due diligence, most of the transactions have been priced 1.1x - 1.3x book value. At current levels, these metrics suggest that on a private basis, UrbanLuxe Homes would be afforded a valuation of \$21.6 million.

It should be noted that comparing UrbanLuxe to home builders is a bit of apples to oranges as many builders typically are involved only in new construction rather than remodeling and rental income, along with new construction, like the Company. However, Toll Brothers, the largest pure play luxury home builder also has some rental property business that is growing rapidly, which makes it a good comparable from the business-side, but not size, of course. The Company's model offers greater profit margins given its current size and growth rates, as evidenced by its recent performance. Still, such information and data prove instructive.

For example, our due diligence suggests that small cap publicly traded builders (and Toll Brothers as well) tend to trade around 7x 2019 EPS and at a 0.3 – 0.6 ratio, on a price/enterprise value basis. Applying these metrics (7x EPS and 0.3 P/EV) to UrbanLuxe, based on its projected 2019 operating results, suggests a potential valuation as a public entity of \$64M, pending \$50 million in funding. It should be noted that the Company's net income would be lower than the operating income we forecast, thus the valuation figure may be reduced. However, given its growth rate, it could also potentially trade at a premium valuation; thus, canceling out the difference between operating and net income, and keeping subsequent market values the same.

IPO as a REIT

Following a review of small cap residential REITs, we find that they trade at an average of 5.1x 2019 estimated revenue and 2.8x Price/Book Value. Interestingly, the two smaller firms average 3.7x and 3.6x these metrics, respectively. If we were to apply the price/book of the smaller two, we arrive at a valuation of \$59 million, which is essentially the same as the suggested value of UrbanLuxe Homes as a publicly traded builder. This is further affirmed with a conservative 1x sales multiple on 2019 projected sales. Again, we believe these metrics and data are instructive.

Valuation Methodology

In an effort to derive a potential private market valuation for UrbanLuxe Homes, the reviewed M&A data suggests a price/book value of 1.3x, which would offer an assumption of a \$21.6 million---and seems low given the high profit margin and growth rates. Interestingly, given the average valuations outlined above for 2 types of publicly traded entities above, a valuation (perhaps \$64 million) as a public entity is in the cards. Thus, it is inferred that if UrbanLuxe Homes were a publicly traded operating company or REIT, it could be valued substantially higher than the valuation one may afford it as a privately held entity.

Given our expectations of steady access to capital, and an IPO or M&A transaction, our 3-year forecast suggests a valuation of \$164.5 million for the Company. This figure reflects a 7.0x Price/Earnings multiple on preliminary high-growth estimates for 2021, of \$23.5 million on \$130 million in estimated revenue.

MARKET OVERVIEW

(Analyst's Note: While we typically provide a detailed analysis of the industry at this point, we have elected to provide a "market" overview with comparative industry information.)

Luxury Real Estate Market Drivers

A great deal has been written about the growth in the luxury real estate market. After luxury home sales rose 11% in 2017, its best performance since 2014, last year enjoyed big gains as well until a bit of a slump hit at the tail end of the year, perhaps in conjunction with higher interest rates and the huge, swift downturn in the stock market.

Accessibility/Location: Urban living, particularly properties that have been redeveloped, are in demand. Millennials crave convenient access to work, dining, entertainment—and are using ride-sharing in waves.

Technology: Smart technology and connectivity for current and future devices and applications are paramount for the luxury buyer or renter. Security can also come under this category/driver.

Customization: Luxury buyers are seeking out customization which furthers their personalization and is paramount to many buyers.

Luxury Home 900k-1.5M



Luxury Attached 600k-900k



Luxury Corner Lot 700k-1M



Luxury Attached Rentable Units



Figure 2: Sample UrbanLuxe Homes Interior

Source: UrbanLuxe Homes LLC

Lifestyle and Demographics: Rooftop grilling and pools, like-minded and similar aged communities are in demand.

Health & Wellness: Big kitchens, access to in-community or building fitness centers, dining, wellness centers, etc.

The Portland Market

Portland is a terrific example of the in-demand urban luxury home market.

Demographics: It is a hot market for millennials and older professionals due to the culture and what the city and outdoors have to offer. Interestingly, due to the makeup of the ocean and mountains, there is scarcity---little room to grow, making urban luxury homes that much more appealing—and a sign of a rise in value. Case in point: According to Zillow, the average home listing is \$423,000 as compared with under \$250,000 just a few years ago.

Employment: We highlighted the job boom, particularly tech in the area. This is due in part to lower costs than Silicon Valley and other locales. This driver is key to sustaining the market growth.

\$\$\$: Cost of living is lower, work-life balance is some of the best in the country and there are many students in school to take the new jobs.

High on Lists: Portland is high on millennials' and others' lists for employment and quality of life. *Even Christies International Realty Luxury Defined 2018*, a white paper on luxury residential living gave Portland some love throughout the report, noting it is a favorite in the Northwest.

The Stats: Portland has a population of over 639,000 with over half of residents with a college degree, and one in five with a graduate degree. Professional, scientific, or technical services is the largest employment segment among the populace. The estimated household income was over \$62,000. For comparison, 2 cities with similar populations, have lower household incomes, greater crime, and lower quality of life than Portland.

Key Neighborhoods: Humboldt, Irvington, Alameda, Buckman, Sabin. The median price home for sale in these five neighborhoods is \$670,000.

Luxury Home 900k-1.5M



Luxury Corner Lot 700k-1M



Luxury Attached 600k-900k



Luxury Attached Rentable Units



Figure 3: Sample UrbanLuxe Homes
Source: UrbanLuxe Homes LLC

Key Players

The biggest homebuilder in the nation is Lennar; however, the largest, national (pure play) luxury homebuilder is Toll Brothers. They are growing quickly organically, through acquisition, and via new, related service offerings. Moreover, the company is making a big play for the rental market. As of October 2018, Toll Brothers had 17,155 rental units in 48 properties. Still, its bread and butter remain the development and construction of luxury homes. With \$100,000 incomes growing three times faster than all other U.S. households (Source: Toll Brothers) it is no wonder their ROE is over 16% and its average delivered home price is \$893,000. Other peers that we listed in Table III that are also big players in luxury include Tri Pointe, Taylor Morrison, MDC, and others that are bunched together, price-wise. Still, Tri Pointe's price is 2/3 that of Toll Brothers. In our view, UrbanLuxe Homes is likely trying to emulate Toll Brothers, and that is not a bad idea. The other peers in the table are similar in size and performance and serve as solid comps for the Company.

THE URBANLUXE HOMES TEAM

Mike Hubbell, Managing Member

Founder Mike Hubbell has been an entrepreneur since 1997. His expertise is in home design, product distribution, and people allocation.

Barry Smith, Broker

Barry oversees real estate brokerage, Portland Realty Group, successfully listing and selling the company's homes.

Jeff Hayton, Marketing & Finance Manager

Jeff is a Private Equity professional focused on leading cross-functional teams to scale companies, capital markets and portfolios.

Majid Habibi, Home Designer

Educated in architecture and environmental design, Majid has 30 years of experience.

Shawna Smith, Operations Manager

With 17 years' experience in the construction industry, Shawna joined the company in 2012 to facilitate project completion and make sure things run smoothly from start to finish.

Bonnie Lindquist, Account Manager

Bonnie has been with the company since 2011 and handles all accounting, including payroll, accounts payable and receivable.

Aaron Buster, Director of Acquisitions

Aaron has been with the company since 2015. He specializes in property acquisitions.

Katie Guz, Executive Assistant

Katie joined the company in 2017, bringing 5 years of retail and operational management experience to her role as Executive Assistant to Mike Hubbell.

Lori Gott, Accounts Payable Manager

Lori manages all accounts payable and joined the company in 2018. She has prominent real estate and construction experience.

Sean Barron, Purchasing Manager

Sean is a proven individual that is highly motivated, organized, reliable, effective with people and knowledgeable of supply chain management operations.

FINANCIALS

As evidenced by the tables below, UrbanLuxe Homes is enjoying a surge in revenue, operating profit, and assets. We should note that revenue primarily reflects property sales in 2017 but beginning in 2018 going forward an increased mix of sales and rental income. The COGS line item is a very high percentage of sales as it includes: home procurement, along with purchase, finance, and closing costs. Capital improvements to the home tend to be the greatest single portion of COGS, with the home price which is usually a bit less. These costs have been steady since the Company also serves as its own GC in many cases. The balance of expenses are typical business/office/marketing costs.

Investors should monitor and measure UrbanLuxe Homes' progress based on asset performance (ROE) and operating performance (operating profit and margin). To date, the ROE has been impressive--and on the rise, concurrent with the increase in assets and what appears to be an improved debt/asset ratio. As of 2Q18, total assets were \$35.9 million, with \$16.6 million in equity and \$19.3 million in debt. For the year earlier period, assets were \$19.4 million, with equity of only \$5.8 million and debt a whopping \$13.5 million. Going forward, we expect this figure to continue to improve.

On the operating front, revenue has risen from \$15.7 million and \$273,000 in operating profit to an estimated \$33.4 million and \$2.9 million, respectively, for 2018. If management is able to secure its funding goals, 2019's top-line could reach \$63.7 million with profit of \$9.1 million, a 9% operating margin. Going forward we have preliminarily forecasted financials for 2020 and 2021 on a low, or slow growth and high growth basis. Slow assumes business is overwhelmingly in the Portland area while high growth assumes penetration in a market ex-Portland. While this penetration could come in the form of an acquisition or a roll-up it is too early to project at this time. Hence, we elected to provide just a basic assumption, rather than a roadmap which will offer more clarity, later in the year. In our view, as a public entity, UrbanLuxe Homes would be able to achieve its goals in and ex-market faster and would have access to capital for home purchase and business acquisition.

Finally, it will be interesting to see how the business model plays out and impacts financials, vis-à-vis the growth of the rental market. As noted earlier, luxury leader

Toll Brothers is growing rapidly in this space and considering it has recurring revenue and asset growth advantages, the revenue mix and subsequent valuation modifications could prove to be on the upswing.

Table I. UrbanLuxe Homes LLC (Slow Growth)					
Projected Financial Snapshot					
(\$, thousands)					
	<u>FY17A</u>	<u>FY18E</u>	<u>FY19E</u>	<u>FY20E</u>	<u>FY21P</u>
Revenue	\$15,658	\$33,382	\$63,702	\$85,000	\$105,000
Cost of Goods	\$13,807	\$28,684	\$52,564	\$69,100	\$84,000
Expenses	\$1,578	\$1,823	\$2,025	\$2,300	\$3,000
Operating Profit	\$273	\$2,875	\$9,113	\$13,600	\$18,000
Operating Margin	1.7%	8.6%	14.3%	16.0%	17.1%
Est. Total Assets	\$24,800	\$35,900	\$60,000	\$75,000	\$100,000

NOTES:
"P" represents preliminary.
Source: UrbanLuxe Homes LLC and Marble Arch Research estimates

Table II. UrbanLuxe Homes LLC (High Growth)					
Projected Financial Snapshot					
(\$, thousands)					
	<u>FY17A</u>	<u>FY18E</u>	<u>FY19E</u>	<u>FY20E</u>	<u>FY21P</u>
Revenue	\$15,658	\$33,382	\$63,702	\$95,000	\$130,000
Cost of Goods	\$13,807	\$28,684	\$52,564	\$77,000	\$103,500
Expenses	\$1,578	\$1,823	\$2,025	\$2,300	\$3,000
Operating Profit	\$273	\$2,875	\$9,113	\$15,700	\$23,500
Operating Margin	1.7%	8.6%	14.3%	16.5%	18.1%
Est. Total Assets	\$24,800	\$35,900	\$60,000	\$75,000	\$110,000

NOTES:
"P" represents preliminary.
Sources: UrbanLuxeHomes LLC and Marble Arch Research estimates

RISK FACTORS

UrbanLuxe Homes faces a number of potential hurdles, including a slowdown in real estate sales, lower sales prices, longer cycles, higher interest rates, higher base prices, construction costs, etc. One major risk is the susceptibility to related to changes in the state or local markets related to regulation/permitting or localized shifts in the business and consumer trends. Other risks include competition from current or new entrants into the field as well as the timing of the current or future funding rounds and access to future capital or loans at favorable terms. Nonetheless, given the Company's current standing, approach, history and a deep, enviable leadership team, we do not believe that funding itself may be a risk, merely the timing of closing. In any event, all of these risk factors are commensurate with companies of UrbanLuxe Homes' size and standing.

VALUATION AND CONCLUSION

UrbanLuxe Homes is an early mover in a fast-growing segment of the real estate market. The migration to urban luxury across the country is evident in Portland, where the Company is enjoying outsized asset and revenue growth. With a long history of success, the Company is uniquely positioned to succeed and scale its business as compared with its peers. Management boasts over 1000 restored or new construction, \$423 million in real estate sales and \$60 million in loans repaid.

Management's approach and focus is on the Portland market, with an eye to takes its replicable model to Seattle, Denver, and Boise, which have similar demographics. Buoyed by M&A and lending activity, UrbanLuxe Homes is primed to enjoy meaningful capital inflows, M&A, or an IPO. It boasts enviable returns in terms of ROE, and consistent double-digit returns for its investors.

For 2017, UrbanLuxe Homes generated \$15.7 million in revenue and \$272,000 in operating profit with an estimated \$33.4 million and \$2.9 million in estimated revenue and profit recorded for 2018, respectively. Going forward, it is anticipated that with additional equity and loans to the Firm, management will be able to fund additional deals. Assuming the closing of \$50 million in additional capital this year, we believe that revenue could reach \$63.7 million and \$9.1 million in operating profit, jumping to \$85 million and \$13.6 million in operating profit for 2020. To be conservative, these figures reflect a low growth versus high growth scenario, as provided later in this report, for comparative purposes.

At present, management is seeking to raise \$50 million (\$35M debt/\$15M equity) to accelerate its business model in Portland. This capital could come in the form of investment in its new fund (which pays investors 15% with a 3% discount/distribution at redemption) and/or credit line. Also, we envision UrbanLuxe Homes as a public

entity, either as a residential construction company or even as a REIT. Thus, future raises remain in the cards, especially if management begins to execute on a strategy to enter other markets via roll-up or other moves.

In our view, UrbanLuxe Homes has an enviable positioning which should result in substantial funding in the near term with an IPO and/or an acquisition in the next few years, commanding a premium valuation. Given recent events and current activity in the segment and the industry at large, we envision one or more of the following paths to success, along with the associated valuation scenarios.

This sector has been active on the M&A front with major players buying smaller or niche players for cash in markets across the country. These include Toll Brothers, Lennar, Taylor Morrison and others, and we believe that as UrbanLuxe scales in its current and future markets (through roll-ups or entry) it is well-positioned to be the beneficiary of such activity. For example, based on our initial due diligence, the Taylor Morrison/AV Homes and Lennar/WCI Communities transactions were priced 1.1x - 1.3x book value. At current levels, these metrics suggest that on a private basis, UrbanLuxe Homes would be afforded a valuation of \$21.6 million.

However, our due diligence suggests that entering the public markets as a builder could substantially raise the Company's value, as small cap publicly traded builders (and Toll Brothers as well) tend to trade around 7x 2019 EPS and at a 0.3 – 0.6 ratio, on a price/enterprise value basis. Applying these metrics (7x EPS and 0.3 P/EV) to UrbanLuxe, based on its projected 2019 operating results, suggests a potential valuation as a public entity of \$64M, pending \$50 million in funding.

As a corollary, following a review of small cap residential REITs, we find that they trade at an average of 5.1x 2019 estimated revenue and 2.8x Price/Book Value. Interestingly, the two smaller firms average 3.7x and 3.6x these metrics, respectively. If we were to apply the price/book of the smaller two, we arrive at a valuation of \$59 million, which is essentially the same as the suggested value of UrbanLuxe Homes as a publicly traded builder. This is further affirmed with a conservative 1x sales multiple on 2019 projected sales.

In conclusion, our effort to derive a potential private market valuation for UrbanLuxe Homes, has included a review of M&A data which suggests a price/book value of 1.3x, which would offer an assumption of a \$21.6 million---and seems low given the high profit margin and growth rates. Interestingly, given the average valuations outlined above for 2 types of publicly traded entities above, a valuation (perhaps \$64 million) as a public entity is in the cards. Thus, it is inferred that if UrbanLuxe Homes were a publicly traded operating company or REIT, it could be valued substantially higher than the valuation one may afford it as a privately held entity.

Given our expectations of steady access to capital, and an IPO or M&A transaction, our 3-year forecast suggests a valuation of \$164.5 million for the Company. This figure reflects a 7.0x Price/Earnings multiple on preliminary high-growth estimates for 2021, of \$23.5 million on \$130 million in estimated revenue.

Table III. UrbanLuxe Homes Small Cap Peer Group: Residential Construction

Company Name	Symbol	Price (1/18/19)	Mkt Cap (mil)	FY19E EPS	Tot Assets 9/30/18A (mil)	Total BV 9/30/18A (mil)	Ent. Val 9/30/18A (mil)	FY19 Price/EPS	Latest Price/Asset	Latest Price/BV	Latest Price/EV
Beazer Homes*	BZH	\$11.52	\$377	\$2.27	\$2,128	\$634	\$3,472	5.1	0.2	0.6	0.1
Century Communities	CCS	\$20.88	\$642	\$4.69	\$2,153	\$805	\$3,448	4.5	0.3	0.8	0.2
Green Brick Partners	GRBK	\$8.06	\$409	\$1.09	\$771	\$456	\$1,031	7.4	0.5	0.9	0.4
KB Home*	KBH	\$20.30	\$1,794	\$2.82	\$5,074	\$2,088	\$7,486	7.2	0.4	0.9	0.2
LGI Homes	LGIH	\$55.60	\$1,263	\$6.98	\$1,334	\$592	\$2,017	8.0	0.9	2.1	0.6
M.D.C. Holdings	MDC	\$29.83	\$1,689	\$3.74	\$2,908	\$1,527	\$3,922	8.0	0.6	1.1	0.4
Meritage Homes	MTH	\$40.24	\$1,608	\$5.06	\$3,448	\$1,680	\$4,978	8.0	0.5	1.0	0.3
Taylor Morrison	TMHC	\$17.53	\$2,072	\$2.52	\$4,332	\$2,266	\$5,920	7.0	0.5	0.9	0.4
Tri Pointe Group	TPH	\$12.54	\$1,783	\$1.59	\$3,877	\$1,780	\$5,710	7.9	0.5	1.0	0.3
The New Home Company	NWHM	\$6.88	\$141	\$0.69	\$709	\$258	\$1,116	10.0	0.2	0.5	0.1
Average			\$1,178	\$3.15	\$2,673	\$1,209	\$3,910	7.3	0.4	1.0	0.3
UrbanLuxe Homes			\$64	\$9.1	\$36	\$16.6	\$35.9	7.0	1.8	3.9	0.3

Notes:

* denotes 2020 fiscal year, 2019 calendar year

Sources: www.Yahoo!Finance.com, Company websites, Marble Arch Research



Table IV. UrbanLuxe Homes Peer Group: Residential REITs

Company Name	Symbol	Price (1/18/19)	Mkt Cap (mil)	FY19E Rev (mil)	Tot Assets 3Q18A (mil)	Total BV 3Q18A (mil)	FY19E Price/Rev	Latest Price/Asset	Latest Price/BV
American Homes	AMH	\$21.44	\$7,544	\$1,140	\$8,971	\$5,134	6.6	0.1	1.7
Invitation Homes	INVH	\$21.25	\$11,254	\$1,800	\$18,477	\$8,163	6.3	0.1	2.3
Front Yard Residential	RESI	\$10.43	\$555	\$224	\$2,309	\$512	2.5	0.1	4.5
Reven Housing	RVEN	\$3.54	\$39	\$8	\$83	\$32	4.9	0.1	2.6
Average			\$4,848	\$793	\$7,460	\$3,460	5.1	0.1	2.8
UrbanLuxe Homes			\$64	\$63.7	\$36	N/A	1.0	1.8	N/A
UrbanLuxe Homes			\$59	N/A	\$36	\$16.6	N/A	N/A	3.6

Notes:

UL Assets/BV based on 2Q18 data; price/rev based on conservative multiple

UL Price/BV based on average of RESI and RVEN, given relative size

Sources: www.Yahoo!Finance.com, Company websites, Marble Arch Research



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Rob Goldman joined Marble Arch Research as Managing Director, Research, in 2016. In 2009, he founded and still operates Goldman Small Cap Research Inc., a firm specializing in public company sponsored research. Rob has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

ANALYST CERTIFICATION

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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