

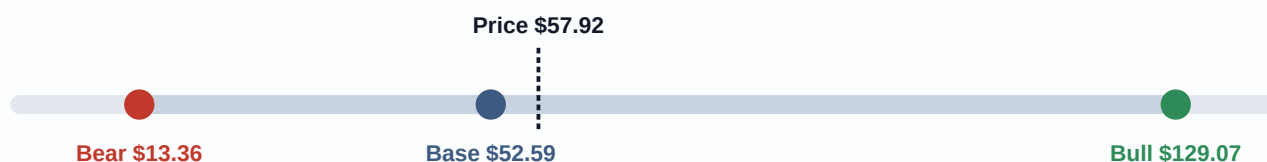
Initiated 2026-10-26 · Price \$57.92 (as of 2026-10-23 close, stockanalysis.com) · Mkt cap \$1.65bn · Consumer discretionary / homebuilding · Model: verified

Rating: Hold — Conviction: Low

Century is a levered entry-level builder whose margins have stopped falling: Q2 adjusted homebuilding gross margin rose 30bp to 20.0%, orders grew 2.7%, and the low end of the delivery guide went up. The other side is a land build funded on the revolver, with drawings up from \$51.5mm to \$329.6mm in six months, and returns well below the cost of capital (TTM ROE 5.2%). At 0.64x book the stock prices a partial recovery. The model's Base case sits modestly below the price, so this is a Hold leaning negative. The Q3 print on 2026-10-28 is the first test of whether the margin turn holds.

Conviction tests (3a-v-c): T1 fail (Hold → Sell at +1pp: Base midpoint -23.3%; +9.4% at -1pp) · T2 fail (Gordon DCF alone -15.8% reads Sell; exit DCF -2.7% reads Hold) · T3 pass · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

Century builds entry-level and first-move-up homes in 16 states under the Century Communities and Century Complete brands. Many are spec homes sold quick-move-in, so the backlog is thin: 1,264 homes (\$469mm) at June 30. FY2025 revenue was \$4.12bn, and Q2 2026 brought 2,506 deliveries at an average \$358k (-5.1% y/y). An in-house mortgage, title and insurance business and a small multi-family rental arm (Century Living, \$232mm of inventory) round out five reportable segments. Earnings turn on three things: incentives, which management calls the biggest gross-margin driver; absorption across a record 330 communities; and land spend. It owns 56% of its 60,128 lots, a heavier owned share than option-based peers.

Competition

For first-time buyers, Century competes mainly with D.R. Horton, LGI Homes, Meritage and KB Home, plus resale listings, and it competes on payment. LGI is the closest product and price match. Its Q2 2026 homebuilding gross margin was 19.8% (adjusted 23.2%) at a \$367k ASP, and it raised full-year margin guidance (8-K release, 2026-08-04, via search summary). D.R. Horton earned 20.7% on home sales in its June quarter and expects incentives to stay elevated (release, via search summary). Century's 18.1% GAAP / 20.0% adjusted puts it below both, and pressure would show first as incentives. Valuations line up with returns. DHI trades at 1.74x book on a 12.6% ROE, MTH at 0.83x, KBH at 0.75x and LGIH at 0.46x (stockanalysis, 2026-10-23 close).

Bull case

1. **The margin turn is real.** Adjusted gross margin rose to 20.0% as incentives eased and direct construction costs fell 5% q/q. On this model's definition, EBITDA margin (6.9% in H1) would rebuild toward ~11% by FY2029, still below FY2023–24's 11.2–11.9%. Plays out if Q3 adjusted gross margin holds at or above 20% and mortgage rates ease. *Model: ebitda_margin, exit_ev_ebitda*
2. **Record community count converts to volume.** 330 open communities, average count guided up low-to-mid single digits, orders +2.7% y/y, and the delivery guide's low end raised to 9,750. Plays out if absorption holds as 2026 openings mature. *Model: rev_growth*
3. **Owned land converts to cash.** NWC was 54% of revenue in FY2021 and 83% in FY2025. If lot spending slows and the optioned share rises, bringing NWC back toward ~78% releases several hundred million dollars and pays down the revolver. Plays out if June's \$3.73bn of NWC falls into year end. *Model: nwc_pct_rev*

Bear case

1. **Affordability caps price.** ASP is down 5.1% y/y, adjustable-rate mortgages reached ~35% of Century's originations in Q2 (call transcript, secondary), and SG&A is 14.2% of home sales revenue. Management guides Q3 incentives flat with H1, not lower, while the 10-year is back at 5.00%. Plays out if mortgage rates stay near 7% and orders fall. *Model: ebitda_margin, rev_growth*
2. **The land build is revolver-funded.** H1 operating cash flow was –\$132mm because inventories rose \$238mm. Even so, the company returned \$78mm in buybacks and dividends. The revolver went from \$51.5mm to \$329.6mm, and liquidity fell from \$1.1bn to \$802mm. Net homebuilding debt to net capital is 31.9%. Plays out if NWC keeps rising while deliveries fall. *Model: nwc_pct_rev; FY0 market.cash, credit.debt*
3. **Returns are below the cost of capital.** TTM ROE is 5.2% and ROIC 3.8% (stockanalysis) against an 11.4% CAPM cost of equity. Book value (\$90.24/sh) then caps the multiple rather than setting a floor under it. Buybacks at a 38% discount to book are the company's view, not evidence of value. Plays out if margins stay at the bottom of the peer range. *Model: exit_ev_ebitda, wacc*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
P/B (book \$90.24/sh)	0.64x	n/a (unverified)	DHI 1.74x · MTH 0.83x · KBH 0.75x · LGIH 0.46x	stockanalysis.com, 2026-10-23
Forward P/E (stockanalysis consensus)	11.6x	n/a (unverified)	DHI 13.8x · MTH 12.6x · KBH 13.7x · LGIH 14.5x	stockanalysis.com, 2026-10-23
EV/EBITDA, aggregator TTM (EV includes warehouse debt; EBITDA excludes capitalized interest)	14.4x	n/a (unverified)	DHI 11.2x · MTH 12.2x · KBH 14.2x · LGIH 34.4x (depressed EBITDA)	stockanalysis.com, 2026-10-23
EV/EBITDA, model basis (EV \$3,019mm = mkt cap on diluted shares + \$1,451mm homebuilding debt – \$92mm cash; EBITDA incl. capitalized-interest amortization)	10.8x FY2025 (\$280mm); 11.5x TTM (~\$263mm)	FY2021–25 EBITDA \$719mm → \$280mm	n/a (peers not restated)	model-inputs.json ; EDGAR XBRL
FCF yield (TTM)	2.1%	n/a (unverified)	DHI 7.8% · MTH 9.9% · KBH 1.0% · LGIH 13.3%	stockanalysis.com, 2026-10-23

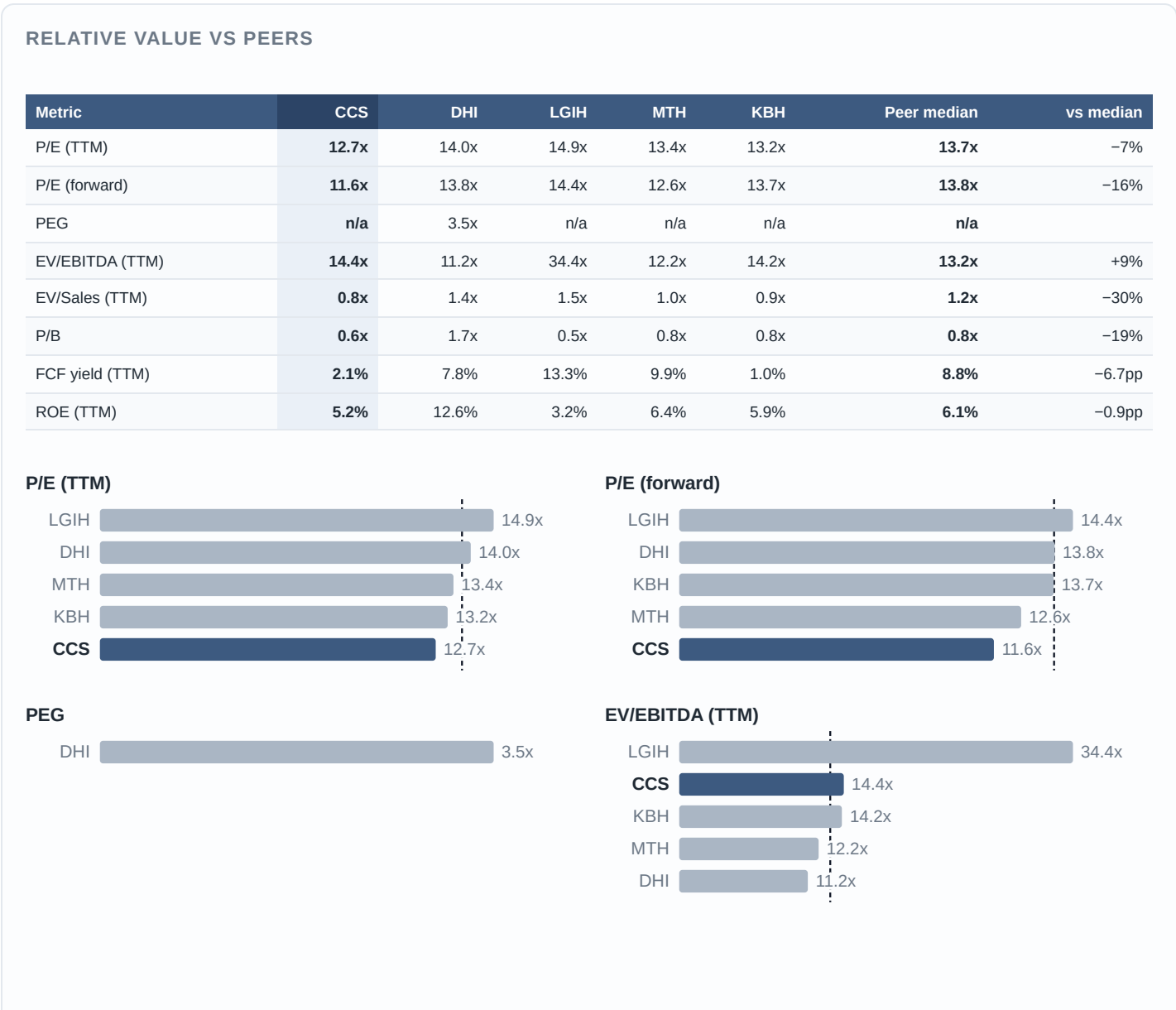
Model-implied value range (from `model-summary.json` ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$13.36 · Base \$52.59 · Bull \$129.07 per share, i.e. implied returns of –76.9% / –9.2% / +122.9% vs \$57.92. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits between Base and Bull, much closer to Base. The market is paying for a little more recovery than the base case's ~8.7% FY2030 EBITDA margin. Base Gordon (\$48.80) and exit (\$56.38) differ by 15.5%, and the exit method is the higher one. That gap is a re-rating embedded in the exit method, not noise. Even so, the 8.0x Base exit multiple is a 26% de-rating from today's 10.8x on trough FY2025 EBITDA, so the market is already capitalizing recovery. A Base return of –9.2% would usually read Sell. The Hold rests on two points. The figure is inside the model's own discount-rate noise (±1pp moves it 16–33 points). And unlike falling-margin peers, Century's Q2 trend points up. Tail sensitivity, run because the bear case is a plateau:

revenue -12%/-18%/-8%/0%/+2%, EBITDA margin 3.5-5.0%, NWC ~97-100% of revenue, 5.0x exit, 10.4% WACC → \$4.35 (-92.5%). With 47% debt in the capital structure, a long trough comes close to wiping out the equity.

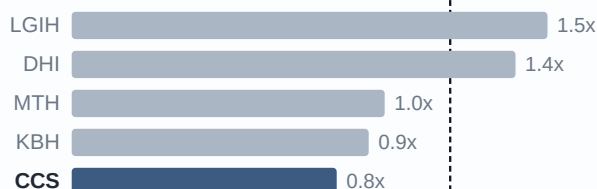
Balance sheet: net leverage 4.39x FY2025 EBITDA (model; Base path 4.38x Y1 → 2.44x Y5), EBITDA/interest 3.9x. Homebuilding debt to capital is 34.2% (net 31.9%, company). Liquidity was \$802mm at June 30, before the revolver was upsized to \$1.2bn and extended to 2030 on 2026-09-30 (8-K). Nearest material maturity: the \$500mm 3.875% notes due August 2029 (~\$119mm of multi-family construction loans may come sooner; their maturity is est.). Ratings: n/a (unverified). Tangible net worth covenant ~\$1.77bn vs \$2.57bn of equity.

Model note: tier **full**, status **built**, verification **verified** (3,207 formula cells matched in LibreOffice). Unverified inputs: none. Assumptions without basis: none. Scenario consistency **OK** on all 14 rows.

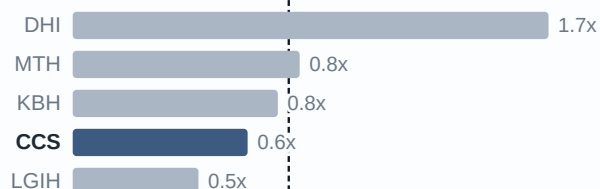
- **Data.** FY2021-25 revenue, EBITDA components and NWC come from EDGAR XBRL. Current cash, debt and shares come from the Q2 2026 10-Q and release.
- **Definitions.** EBITDA is pretax income plus capitalized interest amortized in cost of sales plus D&A, which matches the company's EBITDA within ~\$0.2mm a quarter. The mortgage warehouse (\$233mm) and loans held for sale are excluded as financial-services operating items.
- **H1 offset.** FY0 net debt is at 2026-06-30, after a \$305mm H1 NWC build. Each year's NWC level is therefore set \$225mm below the underlying path, so H1 isn't counted twice.
- **EPS.** No EPS guidance. Base Y1 EPS of \$4.30 implies H2 ~\$2.20 vs H1 ~\$2.10.



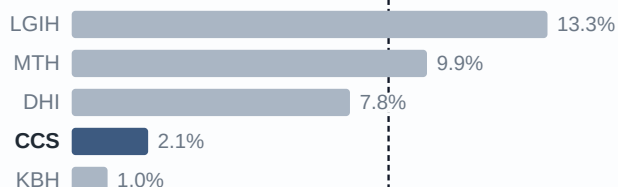
EV/Sales (TTM)



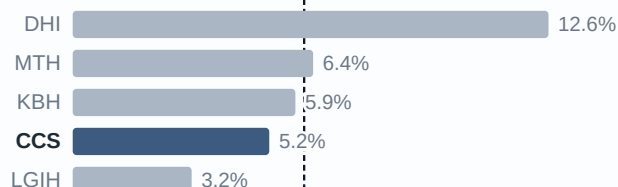
P/B



FCF yield (TTM)



ROE (TTM)



As of 2026-10-26. One source and one definition for every company: TTM multiples, forward P/E on stockanalysis consensus, EV/EBITDA on stockanalysis EBITDA (excludes capitalized-interest amortization in cost of sales; EV includes mortgage warehouse debt). Not the model's own EV basis. Quotes are 2026-10-23 closes, fetched 2026-10-26 before Monday's open. Dashed line = peer median. Source: stockanalysis.com /stocks/<ticker>/statistics/, fetched 2026-10-26.

Notes. stockanalysis shows no PEG for CCS, LGIH, MTH or KBH; DHI's 3.46 is the source's figure. Not computed here. LGIH's 34.4x reflects depressed TTM EBITDA on the source's definition (capitalized interest excluded), not a premium valuation.

Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

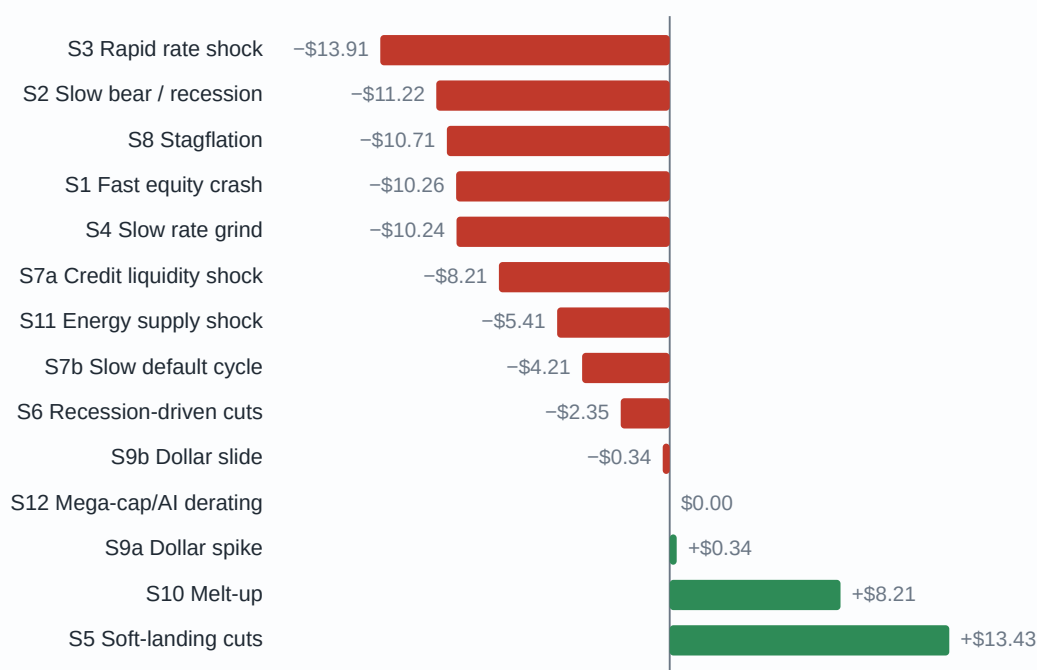
Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	-	Beta-1.28, below-book, levered cyclical de-rates; no operating channel over weeks	High	-\$10.26
S2 Slow bear / recession	-	Entry-level orders fall with jobs; incentives and impairments hit owned land. Milder than Base – Bear (\$39.23) on purpose: two years, not permanent, and inventory converts to cash as volume falls	High	-\$11.22
S3 Rapid rate shock	-	Mortgage rates spike; buydowns cost margin; higher discount rate	High	-\$13.91
S4 Slow rate grind	-	Same channels, compounding over years	High	-\$10.24
S5 Soft-landing cuts	+	Lower mortgage rates cut incentive cost and release deferred demand	High	+\$13.43
S6 Recession-driven cuts	-	Job losses and write-offs, largely offset in value by lower rates and a lower discount rate; small by the dollars	Low	-\$2.35
S7a Credit liquidity shock	-	Revolver-funded, high-yield-style builder de-rates with credit; notes run to 2029/2033, so no refinancing wall	Med	-\$8.21
S7b Slow default cycle	-	Tighter mortgage and land credit; buyer credit already stretched (ARMs ~35%)	Med	-\$4.21
S8 Stagflation	-	Materials and labor inflate while higher rates cap price	High	-\$10.71
S9a Dollar spike	+	Cheaper imported materials; revenue all US	Low	+\$0.34
S9b Dollar slide	-	Mirror of S9a	Low	-\$0.34

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S10 Melt-up	+	Risk appetite re-rates a 0.64x-book, 7.7%-shorted cyclical	Med	+\$8.21
S11 Energy supply shock	-	Oil shock feeds inflation and rates; buyer confidence falls	Med	-\$5.41
S12 Mega-cap/AI derating	0	no material effect, not modeled	Low	\$0.00

Currently active/on watch per the playbook:

- S3 (partially active): the 10-year is back at 5.00% (macro log, 2026-10-23), and S3 is this name's largest downside row.
- S8, S10 and S11 are on watch. S11 is the closest: Brent's last logged settle was \$116.72 (2026-10-24/25 weekend log), and its channel here runs through rates.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- Adjusted homebuilding gross margin holds at or above ~21% for two quarters while orders grow; or
- The revolver is paid down below ~\$150mm and NWC falls from \$3.73bn while deliveries hold. At 0.64x book that would read Buy.

Downgrades if:

- Q3 or Q4 adjusted gross margin falls below ~19%, or the 9,750–10,500 delivery guide is cut; or
- Revolver drawings rise above ~\$450mm without delivery growth.

Watch items

- **W1:** Q3 2026 adjusted homebuilding gross margin against Q2's 20.0%, and the incentive commentary. Source: Q3 release, 2026-10-28. *Model: ebitda_margin*
- **W2:** Q3 net orders against +2.7% y/y, and whether the FY2026 guide (9,750–10,500 deliveries; \$3.5–3.8bn home sales revenue) holds. Source: Q3 release. *Model: rev_growth*
- **W3:** Revolver drawings against \$329.6mm, NWC against \$3.73bn and liquidity against \$802mm at September 30 and at year end. Source: Q3 10-Q, FY2026 10-K. *Model: nwc_pct_rev*
- **W4:** FY2026 10-K (~late January 2027). It rolls FY0 and gives the construction-loan maturities. Source: EDGAR. *Model: none (trigger)*

Sources

- SEC EDGAR XBRL companyfacts, CIK 0001576940 (10-K acc. 0001576940-26-000005; 10-Q acc. 0001576940-26-000057) — <https://data.sec.gov/api/xbrl/companyfacts/CIK0001576940.json> — accessed 2026-10-26
- SEC EDGAR submissions index, CIK 0001576940 (NYSE listing, filing dates) — <https://data.sec.gov/submissions/CIK0001576940.json> — accessed 2026-10-26
- Century Communities Q2 2026 earnings release (8-K ex. 99.1) — https://www.sec.gov/Archives/edgar/data/0001576940/000157694026000055/ccs-20260722xex99_1.htm — accessed 2026-10-26
- Century Communities Form 10-Q, quarter ended 2026-06-30 — <https://www.sec.gov/Archives/edgar/data/1576940/000157694026000057/ccs-20260630x10q.htm> — accessed 2026-10-26
- Century Communities 8-K, First Amendment to Credit Agreement (2026-09-30) — https://www.sec.gov/Archives/edgar/data/1576940/000114036126038259/ef20083014_form8k.htm — accessed 2026-10-26
- Century Communities 2033 notes offering and 2027 notes redemption (8-K ex. 99.1, Sept 2025), via search summary — https://www.sec.gov/Archives/edgar/data/0001576940/000114036125034013/ny20052972x3_ex99-1.htm — accessed 2026-10-26
- Q3 2026 release date (2026-10-28) — <https://finviz.com/news/399492/century-communities-sets-date-for-third-quarter-2026-earnings-release-and-conference-call> — accessed 2026-10-26
- Q2 2026 call highlights (incentives, ARMs share, community count), secondary — <https://www.marketbeat.com/instant-alerts/century-communities-q2-earnings-call-highlights-2026-07-22/> — accessed 2026-10-26
- LGI Homes Q2 2026 release (8-K ex. 99.1), via search summary — <https://www.sec.gov/Archives/edgar/data/0001580670/000158067026000069/a06302026ex991earningsrele.htm> — accessed 2026-10-26
- D.R. Horton fiscal Q3 2026 results, via search summary — <https://www.barchart.com/story/news/3378105/d-r-horton-inc-america-s-builder-reports-fiscal-2026-third-quarter-earnings-and-declares-quarterly-dividend-of-0-45-per-share> — accessed 2026-10-26
- Statistics: Century <https://stockanalysis.com/stocks/ccs/statistics/> · D.R. Horton <https://stockanalysis.com/stocks/dhi/statistics/> · Meritage <https://stockanalysis.com/stocks/mth/statistics/> · KB Home <https://stockanalysis.com/stocks/kbh/statistics/> · LGI Homes <https://stockanalysis.com/stocks/ljih/statistics/> — accessed 2026-10-26
- Daily macro log (10Y, S3/S11 status), `logs/macro-2026-10.md`, 2026-10-23 to 2026-10-25 entries

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.