



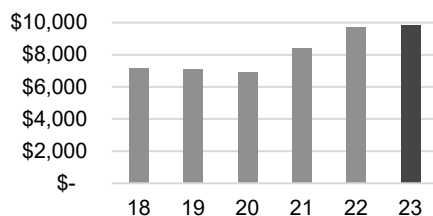
ANNUAL REPORT
2023

Toll Brothers Company Overview

FINANCIAL SUMMARY

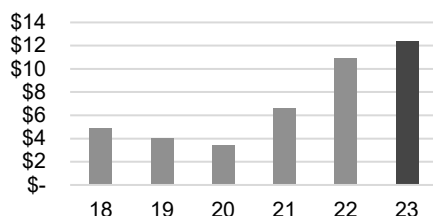
Revenues

For Home Sales in FY (\$ in millions)



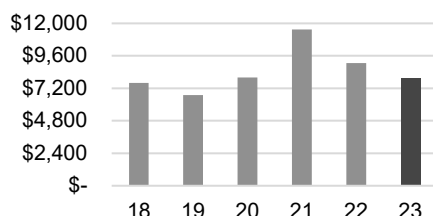
Earnings Per Share

In FY (\$)



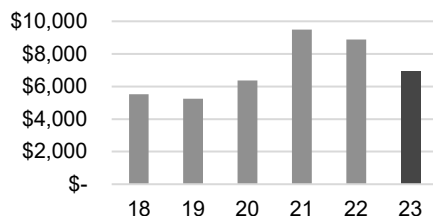
Contracts

In FY (\$ in millions)



Backlog

At FYE (\$ in millions)



INDUSTRY-LEADING COMPANY AND BRAND

- America's Luxury Home Builder
- Founded in 1967
- NYSE-listed (TOL) since 1986
- Fortune 500 Company
- 5th largest U.S. home builder by revenues
- Eight-time #1 World's Most Admired Home Builder, *Fortune* magazine*
- National Builder of the Year, *Builder* magazine
- Two-time Builder of the Year, *Professional Builder* magazine

LUXURY HOMES AND COMMUNITIES

- National presence in over 60 markets in 24 states and Washington, D.C.
- Selling from 370 communities
- Delivered approx. 9,600 homes
- Average delivered home price of \$1,028,000
- Control approx. 71,000 home sites (49% optioned/51% owned)
- High-volume production of highly personalized homes
- Build-to-order model: buyers added an average of approx. \$236,000 in lot premiums and structural and design options to homes
- 34 Toll Brothers Design Studio locations nationwide
- Diverse Product Lines:
 - Luxury move-up homes
 - Millennial-focused affordable luxury homes
 - 55+ active adult and second homes
 - Quick move-in spec homes across product lines
 - Resort-style master-planned, golf and country club communities
 - Toll Brothers Apartment Living and Toll Brothers Campus Living: luxury for-rent urban, suburban, and student housing communities
 - Toll Brothers City Living: luxury mid- and high-rise urban for-sale communities

FINANCIAL AND MANAGEMENT STRENGTH

- Liquidity of \$3.1 billion: \$1.3 billion in cash and \$1.8 billion available under our \$1.9 billion, 22-bank, five-year revolving credit facility
- \$650 million, 12-bank, five-year term loan
- Over \$21.6 billion in corporate and joint venture financing transactions completed in the last five years
- Debt-to-capital ratio of 29.6%; Net debt-to-capital ratio[†] of 17.7%
- Investment Grade rated by S&P, Moody's and Fitch
- Return on beginning equity (ROE) of 22.8%; driving ROE through capital-efficient land buying, product optimization, and other strategies
- Executive management team: average 19-year tenure with Toll Brothers

Information for and as of FYE October 31, 2023, unless otherwise noted.

*©2023 Fortune Media IP Limited. All rights reserved. Used under license. Fortune and Fortune Media IP Limited are not affiliated with, and do not endorse the products or services of, Toll Brothers.

[†] See "Reconciliation of Non-GAAP Measures" at the end of this report for more information on the calculation of the Company's net debt-to-capital ratio.

DECEMBER 2023

DEAR SHAREHOLDER

FY 2023 was another terrific year for Toll Brothers, highlighted by record home sales revenues, net income, and earnings per share. Our success was due in large part to our unique luxury brand, our “patient, not panicked” decision to avoid chasing lower margin sales in the second half of 2022, our strategy of increasing our supply of spec homes, and our ongoing focus on operational efficiency.

Financial highlights for FY 2023 included:

- Record home sales revenues of \$9.9 billion, up 2% compared to FY 2022
- Record net income of \$1.37 billion, up 6% compared to FY 2022
- Record diluted earnings per share of \$12.36, up 13% compared to FY 2022
- Home sales gross margin of 26.9% compared to 25.5% in FY 2022
- Book Value per share at FYE of \$65.49, up 20%
- Debt-to-capital ratio of 29.6% and net debt-to-capital* ratio of 17.7% at FYE
- Return on Beginning Equity (ROE) of 22.8%

These results were achieved despite global unrest, gridlock in Washington D.C., fears of a recession, and, especially, rapidly rising mortgage rates that reached generational highs. As mortgage rates began to stabilize in early 2023, our customers came off the sidelines, drawn to our stunning new homes at an expanding (including more affordable) range of price points located in Toll Brothers communities across 24 states and over 60 markets. In FY 2023, 24% of our buyers paid all cash for their homes, and those who did borrow to finance their purchase had an average 69% loan-to-value ratio – a testament to the financial strength of our core customers.

Demand remained solid for our homes in FY 2023's fourth quarter and into the start of FY 2024. We ended the year with a 72% increase in our fourth quarter signed contracts compared to the same quarter in FY 2022. We are encouraged by the recent 100 basis point decline in mortgage rates; the timing of this will be supportive as we head into the spring selling season.

Looking forward, our sound financial footing positions us well for continued success. We ended fiscal 2023 with over \$3.0 billion of liquidity, including \$1.3 billion of cash and \$1.8 billion available under our long-term \$1.9 billion multi-bank revolving credit facility. During the fiscal year, we generated approximately \$1.3 billion in cash from operations, repurchased 7.9 million shares of stock for \$565.9 million, paid dividends of \$91 million, and retired approximately \$400 million of public debt. We have no significant debt maturities until FY 2026 and our balance sheet is in excellent shape, which will allow us to continue investing in our business while returning capital to our shareholders.

We expect to grow community count by 10% to 410 communities by FYE 2024. This growth, combined with the nearly 6,600 homes in backlog at FYE 2023 and our pipeline of spec homes under construction for delivery in FY 2024, give us confidence that FY 2024 will be another strong year. We project we will deliver between 9,850 and 10,350 homes in FY 2024 and achieve earnings per share of approximately \$12.00 to \$12.50, which would raise our book value to approximately \$78.00 per share at FYE 2024.

*See “Reconciliation of Non-GAAP Measures” at the end of this report for more information on the calculation of the Company's net debt-to-capital ratio.

Over the past decade, the homebuilding industry has demonstrated incredible resilience in the face of unprecedented disruptions – the pandemic, rapid rate hikes, supply chain and labor challenges, global turmoil, and many others. During this time, Toll Brothers has transformed the way we operate, adopting a more financially disciplined, capital efficient, and return-on-equity focused operating model. We have moved to a more land-light, optioned-rather-than-owned strategy for controlling land, steady dividend payments, consistent and substantial stock repurchases, reduced leverage, and a focus on cash flow generation.

The result has been a decade of significant growth and impressive financial metrics: 14% compound annual growth rate (CAGR) in revenues, 23% CAGR in net income, and 29% CAGR in earnings per share. We now have investment grade ratings from each of the three major rating agencies that cover our industry.


Two years ago, in December 2021, the 30-year mortgage rate was about 3.0%. It doubled to 6.0% in December 2022, and a little over two months ago, it broke through 8.0%. It is extraordinary to think that mortgage rates have risen so quickly from 3.0% to 8.0%, a 23-year high, and yet during that time we have produced two consecutive years of record revenues and earnings with ROEs over 20%.

The outlook for the new home market remains bright. The combination of a supply-demand imbalance from more than a decade of underbuilding, an aging national housing stock that averages over 42 years, and long-term demographic tailwinds – driven by 70 million+ millennials and 70 million+ baby boomers on the move – fuel our enthusiasm for the long-term prospects of the new home industry.

Toll Brothers is well positioned to capitalize on these trends. Our industry-leading brand – characterized by the four pillars of The Toll Brothers Advantage: Prestigious Locations, Distinctive Architecture, Unrivaled Choice, and an Extraordinary Customer Experience – places us in a unique position among our peers. In 2023, Fortune magazine once again named Toll Brothers the World's Most Admired Home Builder, the 8th time we have been so honored.

We would like to thank the entire Toll Brothers team for their tremendous focus on our customers. They have demonstrated their ability to adapt to volatile market conditions, and consistently execute on our core strategies to produce what we believe are the best homes and communities in our industry. Most importantly, they have positioned Toll Brothers for continued success in 2024 and beyond.

Sincerely,



Douglas C. Yearley, Jr.
Chairman and Chief Executive Officer



Robert Parahus
President and Chief Operating Officer

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended **October 31, 2023**

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

For the transition period from _____ to _____

Commission file number 001-09186

TOLL BROTHERS, INC.

(Exact name of Registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

1140 Virginia Drive, Fort Washington, Pennsylvania

(Address of principal executive offices)

23-2416878

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

19034

(Zip Code)

Registrant's telephone number, including area code

(215) 938-8000

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock (par value \$.01)	TOL	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes No

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of April 30, 2023, the aggregate market value of our Common Stock held by non-affiliates (all persons other than executive officers and directors of Registrant) of the Registrant was approximately \$6,951,238,000.

As of December 15, 2023, there were approximately 104,110,000 shares of our Common Stock outstanding.

Documents Incorporated by Reference: Portions of the proxy statement of Toll Brothers, Inc. with respect to the 2024 Annual Meeting of Stockholders, scheduled to be held on March 12, 2024, are incorporated by reference into Part III of this report.

TABLE OF CONTENTS

	Page
PART I	
ITEM 1. BUSINESS	1
ITEM 1A. RISK FACTORS	11
ITEM 1B. UNRESOLVED STAFF COMMENTS	20
ITEM 2. PROPERTIES	20
ITEM 3. LEGAL PROCEEDINGS	20
ITEM 4. MINE SAFETY DISCLOSURES	20
PART II	
ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	21
ITEM 6. [RESERVED]	22
ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	23
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	44
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	44
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	45
ITEM 9A. CONTROLS AND PROCEDURES	45
ITEM 9B. OTHER INFORMATION	45
PART III	
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	46
ITEM 11. EXECUTIVE COMPENSATION	46
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	47
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS; DIRECTOR INDEPENDENCE	47
ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES	47
PART IV	
ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES	48
ITEM 16. FORM 10-K SUMMARY	55
SIGNATURES	56
FINANCIAL STATEMENTS	F-1

The following exhibits have been filed electronically with this Form 10-K:

- EXHIBIT 4.43
- EXHIBIT 21
- EXHIBIT 22
- EXHIBIT 23
- EXHIBIT 31.1
- EXHIBIT 31.2
- EXHIBIT 32.1
- EXHIBIT 32.2
- EXHIBIT 97
- EXHIBIT 101
- EXHIBIT 101.INS
- EXHIBIT 104

PART I

ITEM 1. BUSINESS

Toll Brothers, Inc., a corporation incorporated in Delaware in May 1986, began doing business through predecessor entities in 1967. When this report uses the words “we,” “us,” “our,” and the “Company,” they refer to Toll Brothers, Inc. and its subsidiaries, unless the context otherwise requires. References herein to fiscal year refer to our fiscal years ended or ending October 31.

General

We design, build, market, sell, and arrange financing for an array of luxury residential single-family detached home, attached home, master-planned, and urban low-, mid-, and high-rise communities. This is done principally on land we develop and improve, as we continue to pursue our strategy of broadening our product lines, price points and geographic footprint. We cater to luxury first-time, move-up, empty-nester, active-adult and second-home buyers in the United States, as well as urban and suburban renters under the brand names Toll Brothers Apartment Living[®] and Toll Brothers Campus Living[®]. We also design, build, market, and sell high-density, high-rise urban luxury condominiums with third-party joint venture partners through Toll Brothers City Living[®] (“City Living”). At October 31, 2023, we were operating in 24 states and in the District of Columbia.

In the five years ended October 31, 2023, we delivered 46,701 homes from 931 communities, including 9,597 homes from 481 communities in fiscal 2023. At October 31, 2023, we had 930 communities in various stages of planning, development or operations containing approximately 70,700 home sites that we owned or controlled through options.

Backlog consists of homes under contract but not yet delivered to our home buyers. We had a backlog of \$6.95 billion (6,578 homes) at October 31, 2023; we expect to deliver approximately 96% of these homes in fiscal 2024.

We operate our own architectural, engineering, mortgage, title, land development, insurance, smart home technology and landscaping subsidiaries. We also develop master-planned and golf course communities as well as operate, in certain regions, our own lumber distribution, house component assembly and manufacturing operations.

In addition to our residential for-sale business, we also develop and operate urban and suburban for-rent apartment communities primarily through joint ventures. These projects are located in various metropolitan areas throughout the country and are generally being operated or developed (or we expect will be developed) with partners under the brand names Toll Brothers Apartment Living[®] and Toll Brothers Campus Living[®]. At October 31, 2023, we or joint ventures in which we have an interest, controlled 44 land parcels as for-rent apartment projects containing approximately 22,200 planned units.

See “Investments in Unconsolidated Entities” below for more information relating to our joint ventures.

Our Communities and Homes

Our home building communities are generally located in affluent suburban areas near major transit hubs and highways that provide access to employment and urban centers. They are generally located on land we have either acquired and developed or acquired fully approved and, in some cases, improved.

At October 31, 2023, we were operating in the following major suburban and urban residential markets:

- Boston, Massachusetts metropolitan area
- New Haven County, Connecticut
- Westchester and Dutchess Counties, New York
- New York metropolitan area
- Central and northern New Jersey
- Philadelphia, Pennsylvania metropolitan area
- Virginia and Maryland suburbs of Washington, D.C.
- Delaware
- Raleigh and Charlotte, North Carolina metropolitan areas
- Nashville, Tennessee

- Charleston, Greenville, Hilton Head and Myrtle Beach, South Carolina
- Atlanta, Georgia metropolitan area
- Southeast and southwest coasts and the Jacksonville, Orlando, and Tampa areas of Florida
- Detroit, Michigan metropolitan area
- Chicago, Illinois metropolitan area
- Dallas, Houston, Austin, and San Antonio, Texas metropolitan areas
- Denver, Colorado metropolitan area, Fort Collins and Colorado Springs, Colorado
- Phoenix, Arizona metropolitan area
- Las Vegas and Reno, Nevada metropolitan areas
- Boise and Coeur d'Alene, Idaho metropolitan areas
- Salt Lake City, Utah metropolitan area and St. George/Southern Utah
- San Diego and Palm Springs, California
- Los Angeles, California metropolitan area and Orange County
- San Francisco Bay, Sacramento, and San Jose areas of northern California
- Seattle, Spokane, and Clark County, Washington metropolitan areas, and
- Portland, Oregon metropolitan area.

We develop individual stand-alone single-product communities as well as multi-product, master-planned communities. Our master-planned communities enable us to offer multiple home types and sizes to a broad range of move-up, first-time, empty-nester, active-adult, and second-home buyers. We seek to realize efficiencies from shared common costs, such as land development and infrastructure, over the several communities within the master-planned community.

Each of our detached home communities offers several home plans with the opportunity for many of our home buyers to select various structural options and exterior styles. We design each community to fit existing land characteristics. We strive to achieve diversity among architectural styles within a community by offering a variety of house models and several exterior design options for each model, preserving existing trees, foliage and other natural features whenever feasible, and curving street layouts to allow relatively few homes to be seen from any vantage point. Our communities have attractive entrances with distinctive signage and landscaping. We believe that our added attention to detail gives each community a diversified neighborhood appearance that enhances home values.

Our attached home communities generally offer one- to four-story homes, provide for select exterior options, and often include commonly owned recreational facilities, such as clubhouses, playing fields, swimming pools, and tennis courts.

The majority of our homes are sold on a built-to-order basis where we do not begin construction of the home until we have a signed contract with a customer. However, we also build quick move-in homes (also known as “spec” homes) in most of our communities, which are homes started without a signed agreement with a customer. These homes allow us to compete more effectively with existing homes available in the market, especially for homebuyers that require a home within a short time frame. We sell our quick move-in homes at various stages of construction, which allows many buyers of such homes to select their finishing options at our design studios. We determine our quick move-in home strategy for each community based on local market factors and maintain a level of quick move-in home inventory based on our current and planned sales pace and construction cadence for the community.

We are continuously developing new designs to replace or augment existing ones to ensure that our homes reflect current consumer tastes. Increasingly, we are modifying designs and the number of options we provide to offer our customers a curated experience while gaining efficiencies in the home building process, particularly in respect to our affordable luxury product and our quick move-in homes. We use our own architectural staff and also engage unaffiliated architectural firms to develop new designs.

A wide selection of structural and finishing options are available to our home buyers for additional charges. The number and complexity of options available typically increase with the size and base sales price of our homes and are generally only available on our built-to-order homes. Major options include home offices, fitness rooms, multi-generational living suites,

finished basements, and spacious indoor/outdoor living areas. We also offer numerous interior fit-out options such as flooring, wall tile, plumbing, cabinets, fixtures, appliances, lighting, and home-automation and security technologies.

We market our high-quality homes to both upscale luxury and affordable luxury home buyers. Our luxury homes are marketed primarily to buyers who generally have previously owned a home and who are seeking to buy a larger or more desirable home — the so-called “move-up” market. Our affordable luxury homes are marketed primarily to more affluent first-time buyers. We believe our reputation as a builder of luxury homes in these markets enhances our competitive position with respect to the sale of our smaller, more moderately priced homes.

We continue to pursue growth initiatives by expanding our product lines and price points to appeal to buyers across the demographic spectrum. We have also significantly expanded our geographic footprint over the past decade. In addition to our traditional “move-up” home buyer, we are focusing on the “empty-nester” market, the millennial generation, and the affordable luxury buyer.

We market to the “empty-nester” market, which we believe has strong growth potential. We have developed a number of home designs with features such as single-story living and first-floor primary bedroom suites, as well as communities with recreational amenities, such as golf courses, marinas, pool complexes, country clubs, fitness and recreation centers that we believe appeal to this category of home buyer. We have integrated certain of these designs and features in some of our other home types and communities. As of October 31, 2023, we were selling from 57 age-restricted active-adult communities, in which at least one home occupant must be at least 55 years of age.

With the millennial generation in its prime family formation years, we also continue to focus on this group with our core suburban homes, affordable luxury offerings, urban condominiums and luxury rental apartment products.

Through our City Living brand, with third-party joint venture partners, we currently are developing two high-density, high-rise urban luxury communities to serve affluent move-up families, empty-nesters, and young professionals who are seeking to live in or close to major cities.

Our City Living communities are generally high-rise condominiums that take an extended period of time to construct. We generally start selling homes in these communities after construction has commenced. By the time construction has been completed, we typically have a significant number of homes under contract with buyers in backlog. Once construction has been completed, the homes in backlog in these communities are generally delivered quickly. Because of the larger upfront costs and longer development time periods associated with high-rise projects, we generally expect to continue developing future high density, high-rise urban luxury condominium communities through joint ventures with third parties.

We believe that the demographics supporting the luxury first-time, move-up, empty-nester, active-adult, affordable luxury and second-home upscale markets will provide us with an opportunity for growth in the future. We continue to believe that many of our communities are in desirable locations that are difficult to replace and that many of these communities have substantial embedded value that may be realized in the future.

At October 31, 2023, we were selling homes from 370 communities, compared to 348 communities at October 31, 2022, and 340 communities at October 31, 2021.

The following table summarizes certain information with respect to our operating communities at October 31, 2023:

	Total number of operating communities	Number of selling communities	Homes approved	Homes closed	Homes under contract but not closed (Backlog)	Home sites available
North	57	40	7,541	4,283	956	2,302
Mid-Atlantic	60	43	6,606	2,692	945	2,969
South	133	115	16,050	6,151	2,312	7,587
Mountain	126	120	17,958	6,882	1,577	9,479
Pacific	56	52	6,044	2,393	788	2,883
Total	432	370	54,199	22,401	6,578	25,220

At October 31, 2023, significant site improvements had not yet commenced on approximately 15,000 of the 25,220 available home sites. Of the 25,220 available home sites, approximately 8,700 were not yet owned by us but were controlled through options.

Of our 432 operating communities at October 31, 2023, a total of 370 communities were offering homes for sale; with the remaining consisting primarily of sold out communities where not all homes had been completed and delivered. Of the 370 communities in which homes were being offered for sale at October 31, 2023, a total of 304 were detached home communities and 66 were attached home communities.

At October 31, 2023, we had 3,026 quick move-in homes in various stages of construction in our communities, of which 1,460 were affordable luxury homes, 1,011 were luxury homes, and 555 were active-adult homes.

As a result of the breadth of our products and geographic footprint, we have a wide range of base sales prices for our homes. The percentage of the 9,597 homes delivered in fiscal 2023 within the various ranges of base sales price was as follows:

Range of Base Sales Price	Percentage of Homes Delivered in Fiscal 2023
Less than \$500,000	7%
\$500,000 to \$750,000	31%
\$750,000 to \$1,000,000	24%
\$1,000,000 to 2,000,000	32%
More than \$2,000,000	6%

Of the homes delivered in fiscal 2023, approximately 24% of our home buyers paid the full purchase price in cash; the remaining home buyers borrowed approximately 69% of the sales price of the home.

The table below provides the average value of all structural and finishing options purchased by our home buyers, including lot premiums, and the value of these options and premiums as a percent of the base sales price of the homes purchased in fiscal 2023, 2022, and 2021:

	2023		2022		2021	
	Option value (in thousands)	Percent of base sales price	Option value (in thousands)	Percent of base sales price	Option value (in thousands)	Percent of base sales price
Overall	\$ 224	26.5 %	\$ 190	25.3 %	\$ 168	23.9 %
Detached	\$ 251	29.2 %	\$ 215	28.9 %	\$ 193	28.4 %
Attached	\$ 136	17.0 %	\$ 117	15.4 %	\$ 105	15.3 %

In general, the ability to purchase a premium lot or customize a home with structural options and interior finishes varies widely across our product lines and what stage of construction the home is in when a purchase contract is signed, which may result in significant variation in the option value as a percentage of base sales price. For example, our attached homes and our quick move-in homes do not offer the opportunity for buyers to add significant structural options to their homes and thus they have a smaller option value as a percentage of base sales price.

For more information regarding revenues, net contracts signed, income (loss) before income taxes, and assets by segment, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Segments” in Item 7 of this Form 10-K.

Acquisitions

From time to time, we acquire home builders in order to increase our footprint and/or product offerings in an existing market or to expand into a new market. These acquisitions are generally completed using available cash on hand and primarily consist of smaller privately-held builders. In fiscal 2023, we did not make any acquisitions.

In fiscal 2022, we acquired substantially all of the assets and operations of a privately-held home builder with operations in San Antonio, Texas for approximately \$48.1 million in cash. The assets acquired, which consisted of 16 communities, were primarily inventory, including approximately 450 home sites owned or controlled through land purchase agreements.

Land Policy

Before entering into an agreement to purchase a land parcel, we complete extensive comparative studies and analyses that assist us in evaluating the acquisition. These analyses may include soil tests, environmental studies, an evaluation of necessary zoning and other governmental entitlements and extensive market research to evaluate which of our product offerings are appropriate for the market. In addition to purchasing land parcels outright, we strive to enter into option agreements and other arrangements

to defer the acquisition of land until we are closer in time to delivering the completed home to our customer. We have also entered into several joint ventures with other builders, financial partners, or developers to develop land for the use of the joint venture partners or for sale to third parties. These structures are generally more capital efficient than outright land purchases that occur earlier in the entitlement and development process.

Our business is subject to many risks, including risks associated with obtaining the necessary approvals on a property and completing the land improvements on it. In order to reduce the financial risk associated with land acquisitions and holdings and to more efficiently manage our capital, where practicable, we enter into option agreements (also referred to herein as “land purchase contracts,” “purchase agreements,” or “options”) to purchase land, on a non-recourse basis, thereby limiting our financial exposure to amounts expended in obtaining any necessary governmental approvals, the costs incurred in the planning and design of the community, and, in some cases, some or all of the cost of the option (also referred to as “deposits”). Option agreements enable us to obtain necessary governmental approvals before we acquire title to the land, and allow us to acquire lots over a specified period of time at contracted prices. The use of these agreements may increase our overall cost basis in the land that we eventually acquire, but reduces our risk by allowing us to obtain the necessary development approvals before acquiring the land or allowing us to forego or delay the acquisition to a later date. In prior periods, during the time it took to obtain approvals, the value of the purchase agreements and land generally increased; however, in any given time period, this may not happen. We have the ability to extend some of these purchase agreements for varying periods of time, which in some cases would require an additional payment. Our purchase agreements are typically subject to numerous conditions, including, but not limited to, the ability to obtain necessary governmental approvals for the proposed community. In certain instances, our deposit under an agreement may be returned to us if all approvals are not obtained, although predevelopment costs usually will not be recoverable. We generally have the right to cancel any of our agreements to purchase land by forfeiture of some or all of the deposits we have made pursuant to the agreement.

During fiscal 2023 and 2022, we acquired control of approximately 4,200 and 5,700 home sites, respectively, net of options terminated and lots sold. During fiscal year 2023 and 2022, we forfeited control of over 4,000 and 9,000 lots, respectively, subject to land purchase agreements primarily because the planned community no longer met our development criteria. At October 31, 2023, we controlled approximately 70,700 home sites, as compared to approximately 76,000 home sites at October 31, 2022. At October 31, 2023 and October 31, 2022, our percentage of optioned versus owned lots was 49% and 50%, respectively.

We, either alone or in joint venture, are developing several parcels of land for master-planned communities in which we intend to build homes on a portion of the lots, with the remaining lots being sold to other builders. At October 31, 2023, one of these master-planned communities was wholly owned, while the remaining communities were developed through joint ventures with other builders or financial partners. At October 31, 2023, our Land Development Joint Ventures owned approximately 25,800 home sites. At October 31, 2023, we had agreed to acquire 332 home sites and expect to purchase approximately 8,200 additional home sites from several of our Land Development Joint Ventures over a number of years.

Our ability and willingness to continue development activities over the long term will depend on, among other things, a suitable economic environment and our continued ability to locate and enter into options or agreements to purchase land, obtain governmental approvals for suitable parcels of land, and consummate the acquisition and complete the development of such land on acceptable terms.

The following is a summary of home sites for future communities (as distinguished from operating communities) that we either owned or controlled through options or purchase agreements at October 31, 2023:

	Number of communities	Number of home sites
North	74	4,905
Mid-Atlantic	121	8,353
South	137	11,084
Mountain	102	9,602
Pacific	64	4,922
Total	498	38,866

Of the 38,866 planned home sites at October 31, 2023, we owned 12,866 and controlled 26,000 through options and purchase agreements.

At October 31, 2023, the aggregate purchase price of land parcels subject to option and purchase agreements in both operating and future communities was approximately \$4.22 billion (including \$31.5 million of land to be acquired from joint ventures in which we have invested). Of the \$4.22 billion of land purchase contracts, we paid or deposited \$449.9 million. If we acquire all

of these land parcels, we will be required to pay an additional \$3.77 billion. The purchases of these land parcels are expected to occur over the next several years. We have additional land parcels under option that have been excluded from this aggregate purchase price because we do not believe that we will complete the purchase of these land parcels and no additional funds will be required from us to terminate these contracts. These option contracts have either been written off or written down to the estimated amount that we expect to recover when the contracts are terminated.

We have a substantial amount of land currently under control for which approvals have been obtained or are being sought. We devote significant resources to locating suitable land for future development and obtaining the required approvals on land under our control. There can be no assurance that the necessary development approvals will be secured for the land currently under our control or for land that we may acquire control of in the future. In addition, upon obtaining such development approvals, we may elect not to complete the purchases of land under option or complete the development of land that we own. We generally have been successful in obtaining governmental approvals in the past. We believe that we have an adequate supply of land in our existing communities and proposed communities (assuming that all properties are developed) to maintain our operations at current levels for several years.

Community Development

We expend considerable effort in developing a plan for each community, which includes determining the size, style, and price range of the homes; the layout of the streets and individual home sites; and the overall community design. After the necessary governmental subdivision and other approvals have been obtained, which may take several years, we improve the land by clearing and grading it; installing roads, underground utilities, recreational amenities, and distinctive entrance features; and staking out individual home sites.

We act as a general contractor for substantially all of our communities. Subcontractors perform all home construction and land development work, generally under fixed-price contracts. We generally have multiple sources for the materials we purchase and believe our suppliers have sufficient capacity to support our business operations. However, factors beyond our control can and have resulted in disruptions to our supply chain, the availability of labor, and the ability of municipalities to process approvals, which can result in elongated production cycles. See “Risk Factors – Risks Related to Our Business and Industry” in Item 1A and “Manufacturing/Distribution Facilities” in Item 2 of this Form 10-K.

Our construction managers coordinate subcontracting activities and supervise all aspects of construction work and quality control. One of the ways in which we seek to achieve home buyer satisfaction is by providing our construction managers with incentive compensation arrangements based upon each home buyer’s satisfaction, as expressed by the buyers’ responses on pre- and post-closing questionnaires.

The most significant variable affecting the timing of our sales, other than housing demand, is the opening of the community for sale, which occurs after receipt of final land regulatory approvals. Receipt of approvals allows us to begin the process of obtaining executed sales contracts from home buyers. Although our sales and construction activities vary somewhat by season, which can affect the timing of closings, any such seasonal effect is relatively insignificant compared to the effect of the timing of receipt of final regulatory approvals, the opening of the community, and the subsequent timing of closings.

Marketing and Sales

We believe that our marketing strategy for our homes has enhanced our reputation as a builder and developer of high quality luxury homes. We believe this reputation results in greater demand for all of our product types. We generally include attractive design features even in our less expensive homes, based on our belief that these enhancements improve our marketing and sales effort.

In determining the prices for our homes, in addition to management’s extensive experience, we utilize an internally developed value analysis program that compares our homes with homes offered by other builders and competitive resale homes in each local market area. In our application of this program, we assign a positive or negative dollar value to differences between our product features and those of our competitors, such as home and community amenities, location, and reputation.

We typically have a sales center in each community that is staffed by our own sales personnel. Sales personnel are generally compensated with both salary and commission. A significant portion of our sales is also derived from the introduction of customers to our communities by local real estate agents, to whom we pay a real estate agent commission.

We expend great effort and cost in designing and merchandising our model homes, which play an important role in our marketing. Interior merchandising varies among the models and is carefully selected to reflect the lifestyles of prospective buyers.

Visitors to our website, www.TollBrothers.com, can obtain detailed information regarding our communities and homes across the country, take panoramic or video tours of our homes, and design their own homes based upon our available floor plans and

options. We have increasingly focused our marketing efforts to the digital environment for media buying and have adopted a number of virtual tools and techniques to allow our sales personnel to engage in remote interactions with potential customers.

We have a two-step sales process. The first step takes place when a potential home buyer visits one of our communities (either in person or virtually) and decides to purchase one of our homes, at which point the home buyer signs a non-binding deposit agreement and provides a small, refundable deposit. This deposit will reserve, for a short period of time, the home site or unit that the home buyer has selected. This deposit also locks in the base price of the home. Because these deposit agreements are non-binding, they are not recorded as signed contracts, nor are they recorded in backlog. Deposit rates are tracked on a weekly basis to help us monitor the strength or weakness in demand in each of our communities. If demand for homes in a particular community is strong, we determine whether the base sales prices in that community should be increased. If demand for the homes in a particular community is weak, we determine whether or not sales incentives and/or discounts on home prices should be adjusted.

The second step in the sales process occurs when we sign a binding agreement of sale contract with the home buyer and the home buyer provides a larger cash down payment that is generally non-refundable. Cash down payments averaged approximately 8% of the total purchase price of a home in fiscal year 2023. Between the time that the home buyer signs the non-binding deposit agreement and the binding agreement of sale, which typically takes about three weeks, the home buyer is required to complete a financial questionnaire that allows us to determine whether the home buyer has the financial resources necessary to purchase the home. If we determine that the home buyer is not financially qualified, we will not enter into an agreement of sale. During fiscal 2023, 2022, and 2021, our customers signed binding net contracts for \$7.91 billion (8,077 homes), \$9.07 billion (8,255 homes), and \$11.54 billion (12,472 homes), respectively. When we report net contracts signed, the number and value of contracts signed are reported net of all cancellations occurring during the reporting period, whether the cancelled contracts were originally signed in that reporting period or in a prior period. Additionally, all options selected during the reporting period are reported as sales in that reporting period regardless of when the original contract was signed. Only outstanding agreements of sale that have been signed by both the home buyer and us as of the end of the period for which we are reporting are reported as contracts and included in backlog.

Customer Mortgage Financing

We maintain relationships with a diversified group of mortgage financial institutions, many of which are among the largest in the industry. We believe that national, regional and community banks continue to recognize the long-term value in creating relationships with our affluent home buyers, and these banks continue to provide these customers with financing. We believe that our home buyers generally are, and should continue to be, better able to secure mortgages due to their typically lower loan-to-value ratios and attractive credit profiles, as compared to the average home buyer.

Our mortgage subsidiary, Toll Brothers Mortgage Company (“TBMC”), provides mortgage financing for a portion of our home closings. Our mortgage subsidiary determines whether the home buyer qualifies for the mortgage that the home buyer is seeking based upon information provided by the home buyer and other sources. For those home buyers who qualify, our mortgage subsidiary provides the home buyer with a mortgage commitment that specifies the terms and conditions of a proposed mortgage loan based upon then-current market conditions.

Information about the number and amount of loans funded by our mortgage subsidiary is contained in the table below.

Fiscal year	Total Toll Brothers, Inc. settlements (a)	TBMC financed settlements* (b)	Gross capture rate (b/a)	Amount financed (in millions)
2023	9,597	3,123	32.5%	\$ 1,598.6
2022	10,515	3,706	35.2%	\$ 2,030.6
2021	9,986	4,364	43.7%	\$ 2,160.8

* Amounts exclude referred loans, which amounted to 9.5%, 6.5%, and 5.6% of our home closings in fiscal 2023, 2022, and 2021, respectively.

Prior to the actual closing of the home and funding of the mortgage, the home buyer may lock in an interest rate based upon the terms of the commitment. At the time of rate lock, our mortgage subsidiary agrees to sell the proposed mortgage loan to one of several third-party established mortgage financing institutions (“investors”) that are willing to honor the terms and conditions, including the interest rate, committed to the home buyer. We believe that these investors have adequate financial resources to honor their commitments to our mortgage subsidiary. Mortgage loans are sold to investors with limited recourse provisions derived from industry-standard representations and warranties in the relevant agreements. These representations and warranties primarily involve the absence of misrepresentations by the borrower or other parties, the appropriate underwriting of the loan,

and in some cases, a required minimum number of payments to be made by the borrower. The Company generally does not retain any other continuing interest related to mortgage loans sold in the secondary market.

At October 31, 2023, our mortgage subsidiary was committed to fund \$2.17 billion of mortgage loans. Of these commitments, \$354.7 million, as well as \$104.7 million of mortgage loans receivable, had “locked-in” interest rates as of October 31, 2023. Our mortgage subsidiary funds its commitments through a combination of its own capital, capital provided from us, its loan facility, and the sale of mortgage loans to various investors. Our mortgage subsidiary has commitments from investors to acquire all \$459.4 million of these locked-in loans and receivables. Our home buyers had not locked in the interest rate on the remaining \$1.82 billion of mortgage loan commitments as of October 31, 2023.

Backlog

We had a backlog of \$6.95 billion (6,578 homes) at October 31, 2023; \$8.87 billion (8,098 homes) at October 31, 2022; and \$9.50 billion (10,302 homes) at October 31, 2021. Of the 6,578 homes in backlog at October 31, 2023, approximately 96% are expected to be delivered by October 31, 2024. This delivery estimate is based on current expectations regarding our backlog conversion rate. Our backlog conversion rate can vary based on a number of factors, including the availability of subcontractors and qualified trades people; the availability of adequate utility infrastructure and services; the ability of municipalities to process permits, conduct inspections and take similar actions in a timely manner; and shortages, delays in availability, or fluctuations in prices of building materials. See “Risk Factors – Risks Related to Our Business and Industry – Component shortages and increased costs of labor and supplies are beyond our control and can result in delays and increased costs to develop our communities.”

Competition

The home building business is highly competitive and fragmented. We compete with numerous home builders of varying sizes, ranging from local to national in scope, some of which have greater sales and financial resources than we do. Sales of existing homes also provide competition. We compete primarily on the basis of price, location, design, quality, service, and reputation. We believe our financial stability, relative to many other home builders in our industry, is a favorable competitive factor.

Seasonality

Our quarterly operating results typically fluctuate with the seasons. A significant portion of our agreements of sale are generally entered into with customers in the winter and spring months. Weather-related events can delay housing starts and closings and increase costs. See “Risk Factors – Risks Related to Our Business and Industry – Our quarterly operating results may fluctuate due to the seasonal nature of our business” and “Risk Factors – Risks Related to Other Events and Factors – Adverse weather conditions, natural disasters, and other conditions could disrupt the development of our communities, which could harm our sales and results of operation” in Item 1A of this Form 10-K.

Investments in Unconsolidated Entities

We have investments in joint ventures (i) to develop lots for the joint venture participants and for sale to outside builders (“Land Development Joint Ventures”); (ii) to develop for-sale homes (“Home Building Joint Ventures”); (iii) to develop luxury for-rent residential apartments and single family homes, and commercial space (“Rental Property Joint Ventures”); and (iv) to provide financing and land banking for residential builders and developers for the acquisition and development of land and home sites (“Gibraltar Joint Ventures”). At October 31, 2023, we had investments of \$959.0 million in these unconsolidated entities and were committed to invest or advance up to an additional \$400.8 million to these entities if they require additional funding.

In fiscal 2023, 2022, and 2021, we recognized income from the unconsolidated entities in which we had an investment of \$50.1 million, \$23.7 million, and \$74.0 million, respectively. In addition, we earned construction and management fee income from these unconsolidated entities of \$39.2 million in fiscal 2023, \$33.9 million in fiscal 2022, and \$24.3 million in fiscal 2021.

Land Development Joint Ventures

At October 31, 2023, we had investments in 16 Land Development Joint Ventures to develop land. Some of these Land Development Joint Ventures develop land for the sole use of the venture participants, including us, and others develop land for sale to the joint venture participants and to unrelated builders. At October 31, 2023, we had \$351.2 million invested in our Land Development Joint Ventures and funding commitments of \$204.4 million to nine of the Land Development Joint Ventures which will be funded if additional investments in the ventures are required. At October 31, 2023, twelve of these joint ventures had aggregate loan commitments of \$610.8 million and outstanding borrowings against these commitments of \$445.5 million. At October 31, 2023, our Land Development Joint Ventures owned approximately 25,800 home sites.

At October 31, 2023, we had agreed to acquire 332 home sites from three of our Land Development Joint Ventures for an aggregate purchase price of approximately \$31.5 million. In addition, we expect to purchase approximately 8,200 additional home sites over a number of years from several of these joint ventures. The purchase prices of these home sites will be determined at a future date. We count lots in these joint ventures as optioned lots if we have a contractual right to acquire them.

Home Building Joint Ventures

At October 31, 2023, we had an aggregate \$65.3 million of investments in our Home Building Joint Ventures to develop luxury for-sale homes. In fiscal 2023, the value of net contracts signed by our Home Building Joint Ventures was \$101.3 million (77 homes), and they delivered \$38.9 million (9 homes) of revenue.

Rental Property Joint Ventures

As part of our strategy to expand product lines, over the past several years, we acquired control of a number of land parcels intended to be developed as for-rent apartment or single family rental home projects, including several student housing sites. At October 31, 2023, we had an aggregate of \$531.8 million of investments in 43 Rental Property Joint Ventures. At October 31, 2023, we or joint ventures in which we have an interest controlled 44 land parcels that are planned as for-rent apartment projects containing approximately 22,200 units. At October 31, 2023, joint ventures in which we had an interest had aggregate loan commitments of \$3.73 billion and outstanding borrowings against these commitments of \$2.15 billion. These projects are located in multiple metropolitan areas throughout the country and are being operated or developed (or we expect will be developed) with partners under the brand names Toll Brothers Apartment Living and Toll Brothers Campus Living.

At October 31, 2023, we had approximately 3,400 units in for-rent apartment projects that were occupied or ready for occupancy, 3,400 units in the lease-up stage, 9,900 units in the design phase or under development, and 5,500 units in the planning stage. Of the 22,200 units at October 31, 2023, 14,500 were owned by joint ventures in which we have an interest, approximately 1,800 were owned by us, and 5,900 were under contract to be purchased by us.

Gibraltar Joint Ventures

Over the past several years, we, through Gibraltar, entered into several ventures with an institutional investor to provide financing and land banking to residential buildings and developers. We have an approximate 25% interest in these ventures. These ventures finance builders' and developers' acquisition and development of land and home sites and pursue other complementary investment strategies. We may invest up to \$100.0 million in these ventures. As of October 31, 2023, we had an investment of \$10.8 million.

Regulatory and Environmental Matters

We are subject to various local, state, and federal statutes, ordinances, rules, and regulations concerning zoning, building design, construction, and similar matters, including local regulations that impose restrictive zoning and density requirements. In a number of our markets, there has been an increase in state and local legislation authorizing the acquisition of land as dedicated open space, mainly by governmental, quasi-public, and nonprofit entities. In addition, we are subject to various licensing, registration, and filing requirements in connection with the construction, advertisement, and sale of homes in our communities. The impact of these laws and requirements has been to increase our overall costs, and they may have delayed, and in the future may delay, the opening of communities, or may have caused, and in the future may cause, us to conclude that development of particular communities would not be economically feasible, even if any or all necessary governmental approvals were obtained. See "Land Policy" in this Item 1. We also may be subject to periodic delays or may be precluded entirely from developing communities due to building moratoriums in one or more of the areas in which we operate. Generally, such moratoriums often relate to insufficient water or sewage facilities or inadequate road capacity.

In order to secure certain approvals in some areas, we may be required to provide affordable housing at below market rental or sales prices. The impact of these requirements on us depends on how the various state and local governments in the areas in which we engage, or intend to engage, in development implement their programs for affordable housing. To date, these restrictions have not had a material impact on us.

We also are subject to a variety of local, state, and federal statutes, ordinances, rules, and regulations concerning protection of public health and the environment ("environmental laws"). The particular environmental laws that apply to any given community vary according to the location and environmental condition of the site and the present and former uses of the site. An increased regulatory focus on reducing greenhouse gas emissions has led to legislative mandates in certain jurisdictions that require new homes to be more energy efficient than existing homes, or that mandate energy efficient features, such as solar panels, be included in new construction. Complying with these environmental laws may result in delays, may cause us to incur substantial compliance and other costs, and/or may prohibit or severely restrict development in certain environmentally sensitive regions or areas.

Before consummating an acquisition of land, we generally engage independent environmental consultants to evaluate land for the potential of hazardous or toxic materials, wastes, or substances, and we believe that because of this, we have not been significantly affected to date by the presence of such materials on our land.

Our mortgage subsidiary is subject to various state and federal statutes, rules, and regulations, including those that relate to licensing, lending operations, and other areas of mortgage origination and financing. The impact of those statutes, rules, and regulations can be to increase our home buyers' cost of financing, increase our cost of doing business, and restrict our home buyers' access to some types of loans.

Insurance/Warranty

All of our homes are sold under our limited warranty as to workmanship and mechanical equipment. Many homes also come with a limited multi-year warranty as to structural integrity.

We maintain insurance, subject to deductibles and self-insured amounts, to protect us against various risks associated with our activities, including, among others, general liability, "all-risk" property, construction defects, workers' compensation, automobile, and employee fidelity. We accrue for our expected costs associated with the deductibles and self-insured amounts.

Human Capital Resources

At October 31, 2023, we employed approximately 4,800 persons full-time, as compared to approximately 5,200 employees at October 31, 2022. At October 31, 2023, approximately 1% of our employees were covered by a collective bargaining agreement.

We believe our employees are among our most important resources and are critical to our continued success. We focus significant attention on attracting and retaining talented and experienced individuals to manage and support our operations, and our management team routinely reviews employee turnover rates at various levels of the organization. Management also reviews employee engagement and satisfaction surveys to monitor employee morale and receive feedback on a variety of issues. We pay our employees competitively and offer a broad range of company-paid benefits, which we believe are competitive with others in our industry.

We are committed to hiring, developing and supporting a diverse and inclusive workplace. Our management teams and all of our employees are expected to exhibit and promote honest, ethical and respectful conduct in the workplace. All of our employees must adhere to a code of conduct that sets standards for appropriate behavior and includes required annual training on preventing, identifying, reporting and stopping any type of unlawful discrimination.

In recent years, we have implemented protocols and procedures to protect our employees, subcontractors and customers. For example, we have expanded technologies that allow for virtual interactions in many aspects of our business, including customer facing activities. Many administrative and operational routines have been modified including with respect to providing our employees with greater flexibility to work remotely. Many of these modifications have been well received by our employees with minimal disruption to our operations and have continued through fiscal 2023.

Available Information

We file annual, quarterly and current reports, proxy statements, and other information with the Securities and Exchange Commission (the "SEC"). These filings are available over the internet at the SEC's website at <http://www.sec.gov>.

Our principal Internet address is www.tollbrothers.com. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 available through our website under "Investor Relations" (our "Investor Relations website"), free of charge, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

We provide information about our business and financial performance, including our Company Overview, on our Investor Relations website. Additionally, we webcast our earnings calls and certain events we participate in with members of the investment community on the Investor Relations portion of our website. Further corporate governance information, including our code of ethics and business conduct, corporate governance guidelines, and board committee charters, is also available on the Investor Relations portion of our website. The content of our websites is not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

FORWARD-LOOKING STATEMENTS

Certain information included in this report or in other materials we have filed or will file with the SEC (as well as information included in oral statements or other written statements made or to be made by us) contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. One can identify these statements by the fact that they do not relate to matters of strictly historical or factual nature and generally discuss or relate to future events. These statements contain words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “may,” “can,” “could,” “might,” “should,” “likely,” “will,” and other words or phrases of similar meaning. Such statements may include, but are not limited to, information related to: market conditions; mortgage rates; inflation rates; demand for our homes; our built-to-order and quick move-in home strategy; sales paces and prices; effects of home buyer cancellations; our strategic priorities; growth and expansion; our land acquisition, land development and capital allocation priorities; anticipated operating results; home deliveries; financial resources and condition; changes in revenues; changes in profitability; changes in margins; changes in accounting treatment; cost of revenues, including expected labor and material costs; availability of labor and materials; selling, general and administrative expenses; interest expense; inventory write-downs; home warranty and construction defect claims; unrecognized tax benefits; anticipated tax refunds; joint ventures in which we are involved; anticipated results from our investments in unconsolidated entities; our ability to acquire land and pursue real estate opportunities; our ability to gain approvals and open new communities; our ability to market, construct and sell homes and properties; our ability to deliver homes from backlog; our ability to secure materials and subcontractors; our ability to produce the liquidity and capital necessary to conduct normal business operations or to expand and take advantage of opportunities; the outcome of legal proceedings, investigations, and claims; and the impact of public health or other emergencies.

Any or all of the forward-looking statements included in this report and in any other reports or public statements made by us are not guarantees of future performance and may turn out to be inaccurate. This can occur as a result of assumptions or estimates that differ from actual results or as a consequence of known or unknown risks and uncertainties. Many of the factors mentioned in “Item 1A - Risk Factors” below or in other reports or public statements made by us will be important in determining our future performance. Consequently, actual results may differ materially from those that might be anticipated from our forward-looking statements.

From time to time, forward-looking statements also are included in other reports on Forms 10-Q and 8-K; in press releases; in presentations; on our website; and in other materials released to the public. These statements may include guidance regarding our future performance, such as our anticipated annual revenue, home deliveries, and margins, that represents management’s estimates as of the date of publication. Guidance is based upon a number of assumptions and estimates that, while presented with numerical specificity, is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. Forward-looking statements, including guidance, speak only as of the date they are made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

For a more detailed discussion of factors that we believe could cause our actual results to differ materially from expected and historical results, see “Item 1A – Risk Factors” below. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995, and all of our forward-looking statements are expressly qualified in their entirety by the cautionary statements contained or referenced in this section.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Information about our executive officers is incorporated by reference from “Part III, Item 10” of this Form 10-K.

ITEM 1A. RISK FACTORS

Risks Related to Our Business and Industry

We are subject to demand fluctuations in the housing industry. Any reduction in demand would adversely affect our business, results of operations, and financial condition.

Demand for our homes and rental apartments is subject to fluctuations and difficult to predict, often due to factors outside of our control, such as employment levels, consumer confidence and spending, housing demand, availability of financing for homebuyers, interest rates, availability and prices of new homes compared to existing inventory, and demographic trends. In a housing market downturn, our sales and results of operations will be adversely affected; we may have significant inventory impairments and other write-offs; our gross margins may decline significantly from historical levels; and we may incur substantial losses from operations. At any particular time, we cannot accurately predict whether housing market conditions will improve, deteriorate or continue as they exist at that time.

Adverse changes in economic conditions in markets where we conduct our operations and where prospective purchasers of our homes live could reduce the demand for homes and, as a result, could adversely affect our business, results of operations, and financial condition.

Adverse changes in economic conditions in markets where we conduct our operations and where prospective purchasers of our homes live have had and may in the future have a negative impact on our business. Adverse changes in mortgage interest rates, employment levels, job growth, consumer confidence, perceptions regarding the strength of the housing market, and population growth, or an oversupply of homes for sale may reduce demand or depress prices for our homes and cause home buyers to cancel their agreements to purchase our homes. In addition, because we have increased our supply of quick move-in (or “spec”) homes relative to our built-to-order homes, adverse changes in economic conditions could cause us to reduce prices more rapidly to avoid carrying large amounts of finished inventory. This, in turn, could adversely affect our results of operations and financial condition.

Significant inflation, higher interest rates or deflation could adversely affect our business and financial results.

Inflation can adversely affect us by increasing costs of land, materials and labor, and interest rates. All of these factors can have a negative impact on housing affordability. In a highly inflationary environment, we may be unable to raise the sales prices of our homes at or above the rate of inflation, which could reduce our profit margins. In addition, our cost of capital, labor and materials can increase, which could have an adverse impact on our business or financial results. Inflation may also accompany higher interest rates, which could adversely impact our customers’ ability to obtain financing on favorable terms, thereby decreasing demand for our homes. During 2022 and 2023, high inflation and rising interest rates were primary drivers of decreases in home demand, including our homes. These trends could adversely impact our business and financial results in the future.

Conversely, deflation could cause an overall decrease in spending and borrowing capacity, which could lead to deterioration in economic conditions and employment levels. Deflation could also cause the value of our inventories to decline or reduce the value of existing homes. These, or other factors that increase the risk of significant deflation, could have a negative impact on our business or financial results.

The risks associated with our land, lot and rental inventory could adversely affect our business or financial results.

There are substantial risks inherent in controlling, owning and developing land. If housing demand declines, we may not be able to build, sell or rent homes profitably in some of our communities, we may not be able to fully recover the costs of some of the land and lots we own, and we may forfeit deposits on land that we put under control through option arrangements. We acquire land or make payments to control land for expansion into new markets and for replacement of land inventory and expansion within existing markets. If housing demand in a given market declines below the levels that we expected when we acquired or gained control of land, we may have to sell or rent homes or land for a lower profit margin or record inventory impairment charges on our land and lots. Due to the decline in our business during the 2006–2011 downturn in the housing industry, we recognized significant inventory impairments. We cannot assure you that significant inventory impairments will not occur again in the future.

If land is not available at reasonable prices, our sales and results of operations could decrease.

The home building industry is highly competitive for suitable land and the risk inherent in purchasing and developing land increases as consumer demand for housing increases. In the long term, our operations depend on our ability to obtain land at reasonable prices for the development of our residential communities. At October 31, 2023, we had approximately 70,700 home sites that we owned or controlled through options. In the future, changes in the availability of land, competition for available land, availability of financing to acquire land, zoning regulations that limit housing density, and other market conditions may hurt our ability to obtain land for new residential communities at acceptable prices. If the supply of land appropriate for the development of our residential communities becomes more limited because of these factors or for any other reason, the cost of land could increase and/or the number of homes that we are able to sell and build could be reduced.

Our ability to execute on our business strategies is uncertain, and we may be unable to achieve our goals.

We cannot guarantee that (i) our strategies, which include expanding our geographic footprint, product lines and price points, becoming a more capital and operationally efficient home builder, and increasing the supply of our quick move-in homes for sale relative to our built-to-order homes, and any related initiatives or actions (including home builder acquisitions), will be successful or that they will generate growth, earnings or returns at any particular level or within any particular time frame; (ii) in the future we will achieve positive operational or financial results or results in any particular metric or measure equal to or better than those attained in the past; or (iii) we will perform in any period as well as other home builders. We also cannot provide any assurance that we will be able to maintain our strategies, and any related initiatives or actions, in the future and, due to unexpectedly favorable or unfavorable market conditions or other factors, we may determine that we need to adjust, refine or

abandon all or portions of our strategies, and any related initiatives or actions, though we cannot guarantee that any such adjustments will be successful. The failure of any one or more of our present strategies, or any related initiatives or actions, or the failure of any adjustments that we may pursue or implement, would likely have an adverse effect on our ability to increase the value and profitability of our business; on our ability to operate our business in the ordinary course; on our overall liquidity; and on our consolidated financial statements, and the effect, in each case, could be material.

Negative publicity could adversely impact sales, which could cause our revenues or results of operations to decline.

Our business is dependent upon the appeal of the Toll Brothers brand, and its association with quality and luxury is integral to our success. Our strategy includes growing our business by expanding our luxury brand to new price points, product lines and geographies, including expansion of our affordable luxury products. If we are unable to maintain the position of the Toll Brothers brand, our business may be adversely affected by diminishing the distinctive appeal of the brand and tarnishing its image. This could result in lower sales and earnings.

In addition, unfavorable media or investor and analyst reports related to our industry, company, brand, marketing, personnel, operations, business performance, or prospects may affect our stock price and the performance of our business, regardless of its accuracy. Furthermore, the speed at which negative publicity is disseminated has increased dramatically through the use of electronic communication, including social media outlets, websites and other digital platforms. Our success in maintaining and enhancing our brand depends on our ability to adapt to this rapidly changing media environment. Adverse publicity or negative commentary from any media outlets could damage our reputation and reduce the demand for our homes, which would adversely affect our business.

We can also be affected by poor relations with the residents of communities we develop because efforts made by us to resolve issues or disputes that may arise in connection with the operation or development of their communities, or in connection with the transition of a homeowners association, could be deemed unsatisfactory by the affected residents and subsequent actions by these residents could adversely affect sales or our reputation. In addition, we could decide or be required to make material expenditures related to the settlement of such issues or disputes, which could adversely affect the results of our operations.

A significant portion of our revenues and income from operations is generated from California.

A significant portion of our revenues and income from operations are concentrated in California. Factors beyond our control could have a material adverse effect on our revenues and/or income from operations generated in California. These factors include, but are not limited to: changes in the regulatory and fiscal environment; prolonged economic downturns; high levels of foreclosures; lack of affordability; a decline in foreign buyer demand; severe weather including drought; the risk of local governments imposing building moratoriums and of state or local governments imposing regulations that increase building costs; natural disasters such as earthquakes and wild fires; environmental incidents; and declining population and/or growth rates and the related reduction in housing demand in this region. If home sale activity or sales prices decline in California, our costs may not decline at all or at the same rate and our inventory and lots owned or controlled in the state may be at risk of impairment. As a result, our consolidated financial results may be adversely affected.

In the construction of a mid-rise, high-rise or multifamily building, whether a for-sale or a for-rent property, we incur significant costs before we can begin construction, sell and deliver the units to our customers, or commence the collection of rent and recover our costs. We may be subject to delays in construction that could lead to higher costs that could adversely affect our operating results. Changing market conditions during the construction period could negatively impact sales prices and rents, which could adversely affect our operating results.

Before a mid-rise, high-rise or multifamily building generates any revenues, we make significant expenditures to acquire land; to obtain permits, development approvals, and entitlements; and to construct the building. It generally takes several years for us to acquire the land and construct, market, and deliver units or lease units in a high-rise building. Completion times vary on a building-by-building basis depending on the complexity of the project, its stage of development when acquired, our relationship with any joint venture partners that may be involved in a project, and the regulatory and community issues involved. As a result of these potential delays in the completion of a building, we face the risk that demand for housing may decline during this period and we may be forced to sell or lease units at a loss or for prices that generate lower profit margins than we initially anticipated. Furthermore, if construction is delayed, we may face increased costs as a result of inflation or other causes and/or asset carrying costs (including interest on funds used to acquire the land and construct the building). These costs can be significant and can adversely affect our operating results. In addition, if values of the building or units decline, we may also be required to recognize significant impairments in the future.

Increases in cancellations of existing agreements of sale could have an adverse effect on our business.

Our backlog reflects agreements of sale with our home buyers for homes that have not yet been delivered. We have received a deposit from our home buyer for each home reflected in our backlog, and generally we have the right to retain the deposit if the

home buyer does not complete the purchase. In some cases, however, a home buyer may cancel the agreement of sale and receive a complete or partial refund of the deposit for reasons such as state and local law requirements, the home buyer's inability to obtain mortgage financing, the home buyer's inability to sell their current home, or our inability to complete and deliver the home within the specified time. Home buyers may also choose to cancel their home agreement and forfeit their deposit. At October 31, 2023, we had 6,578 homes with a sales value of \$6.95 billion in backlog. If economic conditions decline, if mortgage financing becomes less available or more costly, or if our homes become less attractive due to market price declines or due to other conditions at or in the vicinity of our communities, we could experience an increase in home buyers canceling their agreements of sale with us, which could have an adverse effect on our business and results of operations.

The home building industry is highly competitive, and, if other home builders are more successful or offer better value to our customers, our business could decline.

We operate in a very competitive environment in which we face competition from a number of other home builders in each market in which we operate. We compete with large national and regional home building companies and with smaller local home builders for land, financing, building components, and skilled management and labor resources. We also compete with the resale home market, also referred to as the "previously owned" or "existing" home market. An oversupply of homes available for sale or the heavy discounting of home prices by some of our competitors could adversely affect demand for our homes and the results of our operations. An increase in competitive conditions can have any of the following impacts on us: delivery of fewer homes; sale of fewer homes; higher cancellations by our home buyers; an increase in selling incentives and/or reduction of prices; and realization of lower gross margins due to lower sales prices or an inability to increase sales prices to offset increased costs of the homes delivered. If we are unable to compete effectively in our markets, our business could decline disproportionately to that of our competitors.

We rely on subcontractors to develop our land and construct our homes and on building supply companies to supply components for the construction of our homes. The failure of our subcontractors to properly construct our homes and adopt appropriate jobsite safety practices, or defects in the components we obtain from building supply companies could have an adverse effect on us.

We engage subcontractors to develop our land and construct our homes, including by purchasing components used in the construction of our homes from building supply companies. Despite our quality control and jobsite safety efforts, we may discover that our subcontractors were engaging in improper development, construction or safety practices or that the components purchased from building supply companies are not performing as specified. The occurrence of such events could require us to repair facilities and homes in accordance with our standards and as required by law, or to respond to claims of improper oversight of construction sites. The cost of satisfying our legal obligations in these instances may be significant, and we may be unable to recover the cost of repair from subcontractors, suppliers and insurers. For example, we have incurred significant costs to repair homes built in Pennsylvania and Delaware. See Note 7 – "Accrued Expenses" in Item 15(a)1 of this Form 10-K for additional information regarding warranty charges.

We also can suffer damage to our reputation, and may be exposed to possible liability, if subcontractors fail to comply with applicable laws, including laws involving matters that are not within our control. We have implemented policies that are designed to inform subcontractors of observations of hazardous conditions that could jeopardize the safety of individuals or result in penalties or other legal consequences, and ultimately to reduce or eliminate unsafe acts and conditions. However, attempts at mitigation may not be successful and we could be subject to claims relating to actions of, or matters relating to, our subcontractors.

We participate in certain joint ventures where we may be adversely impacted by the actions of the joint venture or its participants.

We have investments in and commitments to certain unconsolidated joint ventures with unrelated parties generally involved in land development, home building and apartment rental development activities. At October 31, 2023, we had investments of \$959.0 million in unconsolidated entities and were committed to invest or advance up to an additional \$400.8 million to these unconsolidated entities if they require additional funding. These joint ventures generally borrow money to help finance their activities. In certain circumstances, the joint venture participants, including us, are required to provide guarantees of certain obligations relating to the joint ventures. In most of these joint ventures, we do not have a controlling interest and, as a result, are not able to require these joint ventures or their participants to honor their obligations or renegotiate them on acceptable terms. If the joint ventures or their participants do not honor their obligations, we may be required to expend additional resources or suffer losses, which could be significant. In addition, because we generally do not control these joint ventures, our investments may be illiquid and we may not always agree with our partners on major decisions, such as asset sales. Disputes between us and partners may result in litigation or arbitration that could increase our expenses and distract our management team. In addition, we may in certain circumstances be liable for the actions of its third-party partners.

Government regulations and legal challenges may delay the start or completion of our communities, increase our expenses, or limit our home building activities, which could have a negative impact on our operations.

We must obtain the approval of numerous governmental authorities in connection with our development activities, and these governmental authorities often have broad discretion in exercising their approval authority. We incur substantial costs related to compliance with legal and regulatory requirements. Any increase in legal and regulatory requirements may cause us to incur substantial additional costs or, in some cases, cause us to determine that the property is not feasible for development.

Various local, state, and federal statutes, ordinances, rules, and regulations concerning building, zoning, sales, accessibility, safety, anti-discrimination, and similar matters apply to and/or affect the housing industry. Governmental regulation affects construction activities as well as sales activities, mortgage lending activities, and other dealings with home buyers, including anti-discrimination laws such as the Fair Housing Act and data privacy laws such as the California Consumer Privacy Act. The industry also has experienced an increase in state and local legislation and regulations that limit the availability or use of land. Municipalities may also restrict or place moratoriums on the availability of utilities, such as water and sewer taps. In some areas, municipalities may enact growth control initiatives, which will restrict the number of building permits available in a given year. In addition, we may be required to apply for additional approvals or modify our existing approvals because of changes in local circumstances or applicable law. If municipalities in which we operate take actions like these, it could have an adverse effect on our business by causing delays, increasing our costs, or limiting our ability to operate in those municipalities. Further, we may experience delays and increased expenses as a result of legal challenges to our proposed communities, whether brought by governmental authorities or private parties.

Our mortgage subsidiary, TBMC, is subject to various state and federal statutes, rules, and regulations, including those that relate to licensing, lending operations, and other areas of mortgage origination and financing. The impact of those statutes, rules, and regulations can increase our home buyers' cost of financing, increase our cost of doing business, and restrict our home buyers' access to some types of loans.

Product liability claims and litigation and warranty claims that arise in the ordinary course of business may be costly, which could adversely affect our business.

As a home builder, we are subject to construction defect and home warranty claims arising in the ordinary course of business. These claims are common in the home building industry and can be costly. In addition, the costs of insuring against construction defect and product liability claims are high, and the amount of coverage offered by insurance companies is limited. There can be no assurance that this coverage will not be further restricted and become more costly. If the limits or coverages of our current and former insurance programs prove inadequate, or we are not able to obtain adequate, or reasonably priced, insurance against these types of claims in the future, or the amounts currently provided for future warranty or insurance claims are inadequate, we may experience losses that could negatively impact our financial results.

We record expenses and liabilities based on the estimated costs required to cover our self-insured liability under our insurance policies and estimated costs of potential claims and claim adjustment expenses that are above our coverage limits or that are not covered by our insurance policies. These estimated costs are based on an analysis of our historical claims and industry data, and include an estimate of claims incurred but not yet reported. The projection of losses related to these liabilities requires actuarial assumptions that are subject to variability due to uncertainties regarding construction defect claims relative to our markets and the types of products we build, insurance industry practices, and legal or regulatory actions and/or interpretations, among other factors. Key assumptions used in these estimates include claim frequencies, severities, and settlement patterns, which can occur over an extended period of time. In addition, changes in the frequency and severity of reported claims and the estimates to settle claims can impact the trends and assumptions used in the actuarial analysis, which could be material to our consolidated financial statements. Due to the degree of judgment required and the potential for variability in these underlying assumptions, our actual future costs could differ from those estimated, and the difference could be material to our consolidated financial statements.

Over the past several years, we have had a significant number of water intrusion claims related to homes we built in Pennsylvania and Delaware. See Note 7 – “Accrued Expenses” in Item 15(a)1 of this Form 10-K for additional information regarding these warranty charges.

Our condominium and rental multi-unit buildings are subject to fluctuations in delivery volume due to their extended construction time, levels of pre-sales and lease-up, and quick delivery of units once buildings are complete.

Our quarterly operating results will fluctuate depending on the timing of completion of construction of our multi-unit condominium buildings, levels of pre-sales, and the relatively short delivery time of the pre-sold units once the building is completed. These sales can result in significant gains or losses that we recognize on our Consolidated Statements of Operations and Comprehensive Income as income from unconsolidated entities. The timing of these gains or losses cannot be predicted with certainty and, as a result, can cause our net income to fluctuate from quarter to quarter.

In addition to our residential for-sale business, we also develop, operate and, in certain situations, sell for-rent apartments, which we accomplish mainly through joint ventures. Often, the joint venture through which we develop and lease-up a rental property sells the property to a third party or to the joint venture partner upon stabilization. These sales can result in significant gains or losses that we recognize on our Consolidated Statements of Operations and Comprehensive Income as income from unconsolidated entities. The timing of these gains or losses cannot be predicted with certainty and, as a result, can cause our net income to fluctuate from quarter to quarter.

Our quarterly operating results may fluctuate due to the seasonal nature of our business.

Our quarterly operating results fluctuate with the seasons; normally, a significant portion of our agreements of sale are entered into with customers in the winter and spring months. Construction of one of our homes typically proceeds after signing the agreement of sale with our customer and typically require nine to 12 months to complete, although construction times may extend beyond 12 months due to a variety of reasons, including high demand, labor shortages, supply chain disruption and municipal related delays. In addition, weather-related events may occur from time to time, delaying starts or closings or increasing costs and reducing profitability. In addition, delays in opening new communities or new sections of existing communities could have an adverse impact on home sales and revenues. Expenses are not incurred and recognized evenly throughout the year. Because of these factors, our quarterly operating results may be uneven and may be marked by lower revenues and earnings in some quarters than in others.

Increases in taxes or government fees could increase our costs, and adverse changes in tax laws or their interpretation could reduce demand for our homes and negatively affect our operating results.

Increases in real estate taxes and other local government fees, such as fees imposed on developers to fund schools, open space, and road improvements, and/or provide low- and moderate-income housing, could increase our costs and have an adverse effect on our operations. In addition, increases in local real estate taxes could adversely affect our potential home buyers, who may consider those costs in determining whether to make a new home purchase and decide, as a result, not to purchase one of our homes.

Changes in tax laws could reduce or eliminate tax deductions or incentives for homeowners and could make housing less affordable or otherwise reduce the demand for housing, which in turn could reduce our sales and hurt our results of operations. Further, while we believe that our recorded tax balances are adequate, it is not possible to predict the effects of possible changes in the tax laws or changes in their interpretation and whether they could have a material adverse impact on our operating results. We have filed our tax returns in prior years based upon certain filing positions we believe are appropriate. If the Internal Revenue Service or state taxing authorities disagree with these filing positions, we may owe additional taxes, which could be material.

We are subject to extensive environmental regulations, which may cause us to incur additional operating expenses, subject us to longer construction cycle times, or result in material fines or harm to our reputation.

We are subject to a variety of local, state and federal statutes, ordinances, rules and regulations concerning the protection of health and the environment, including those regulating the emission or discharge of materials into the environment, the management of storm water runoff at construction sites, the handling, use, storage and disposal of hazardous substances, impacts to wetlands and other sensitive environments, and the remediation of contamination at properties that we own or develop. In addition, state and local jurisdictions have in recent years enacted regulations that require new homes to be more energy efficient than existing homes, or have mandated energy efficient features, such as solar panels, be included in new construction. The environmental regulations applicable to each community in which we operate vary greatly depending on the location of the community site, the site's environmental conditions and the present and former use of the site. Environmental regulations may cause delays, may cause us to incur substantial compliance, remediation or other costs, and can prohibit or severely restrict development and home building activity. In addition, noncompliance with these regulations could result in fines and penalties, obligations to remediate, permit revocations or other sanctions; and contamination or other environmental conditions at or in the vicinity of our developments, whether or not we were responsible for such conditions, may result in claims against us for personal injury, property damage or other losses.

From time to time, the United States Environmental Protection Agency and other federal or state agencies review home builders' compliance with environmental laws and may levy fines and penalties for failure to strictly comply with applicable environmental laws or impose additional requirements for future compliance as a result of past failures. Any such actions taken with respect to us may increase our costs or harm our reputation. Further, we expect that increasingly stringent requirements will be imposed on home builders in the future. Environmental regulations can also have an adverse impact on the availability and price of certain building components such as lumber.

In recent years, an increasing number of state and Federal laws and regulations have been enacted or proposed that deal with the effect of climate change on the environment. These laws and regulations, which are generally intended to directly or indirectly

reduce greenhouse gas emissions, conserve water or limit other potential climate change impacts, may impose restrictions or additional requirements on land development and home construction in certain areas. Such restrictions and requirements could increase our operating and compliance costs or require additional technology and capital investment, which could adversely affect our results of operations. This is a particular concern in the western United States, where some of the most extensive and stringent environmental laws and residential building construction standards in the country have been enacted, and where we have significant business operations. We believe we are in compliance in all material respects with existing climate-related government regulations applicable to our business, and such compliance has not had a material impact on our business. However, given the rapidly changing nature of environmental laws and matters that may arise that are not currently known, we cannot predict our future exposure concerning such matters, and our future costs to achieve compliance or remedy potential violations could be significant.

Additionally, increased governmental and societal attention to environmental, social, and governance (“ESG”) matters, including expanding mandatory and voluntary reporting, diligence, and disclosure on topics such as climate change, human capital, labor and risk oversight, could expand the nature, scope, and complexity of matters that we are required to control, assess and report. These factors may alter the environment in which we do business and may increase the ongoing costs of compliance and adversely impact our results of operations and cash flows. If we are unable to adequately address such ESG matters or fail to comply with all laws, regulations, policies and related interpretations, it could negatively impact our reputation and our business results.

Failure by our employees or representatives to comply with laws and regulations may harm us.

We are required to comply with laws and regulations that govern all aspects of our business including land acquisition, development, home construction, labor and employment, mortgage origination, title and escrow operations, sales, and warranty. It is possible that our employees or entities engaged by us, such as subcontractors, could intentionally or unintentionally violate some of these laws and regulations. Although we endeavor to take immediate action if we become aware of such violations, we may incur fines or penalties as a result of these actions and our reputation with governmental agencies and our customers could be damaged.

Component shortages and increased costs of labor and supplies are beyond our control and can result in delays and increased costs to develop our communities.

Our ability to develop residential communities may be adversely affected by circumstances beyond our control, including work stoppages, labor disputes, and shortages of qualified trades people, such as carpenters, roofers, masons, electricians, and plumbers; changes in laws relating to union organizing activity; lack of availability of adequate utility infrastructure and services; our need to rely on local subcontractors who may not be adequately capitalized or insured; the ability of municipalities to process permits, conduct inspections and take similar actions in a timely manner; and shortages, delays in availability, or fluctuations in prices of building components and materials. Any of these circumstances could give rise to delays in the start or completion of, or could increase the cost of, developing one or more of our residential communities. We may not be able to recover these increased costs by raising our home prices because the price for each home is typically set months prior to its delivery pursuant to the agreement of sale with the home buyer. If that happens, our operating results could be harmed.

In the past several years, strong demand for homes combined with supply chain disruptions, labor shortages and municipal related delays caused our construction cycles to lengthen and the costs of building materials to increase. Longer construction cycles can lead to increased cancellation rates. In addition, shortages and cost increases in building materials and tightness in the labor market can erode our profit margins and adversely affect our results of operations, especially if such disruptions, shortages and delays persist for extended periods of time.

We are subject to one collective bargaining agreement that covers approximately 1% of our employees. We have not experienced any work stoppages due to strikes by unionized workers, but we cannot make assurances that there will not be any work stoppages due to strikes or other job actions in the future. We engage independent contractors that employ non-unionized workers to construct our homes. At any given point in time, the employees of those subcontractors may decide to unionize.

We are implementing a new enterprise resource planning system, and challenges with the implementation of the system may impact our business and operations.

We are in the process of completing a multi-year implementation of a complex new enterprise resource planning system (“ERP”). The ERP implementation has required the integration of the new ERP with multiple new and existing information systems and business processes, and has been designed to accurately maintain our books and records and provide information to our management teams important to the operation of the business. Our ERP implementation will continue to require ongoing maintenance and monitoring. Conversion from our old system to the new ERP may cause inefficiencies until the ERP is stabilized and mature. The implementation of our new ERP has mandated new procedures and many new controls over

financial reporting. These procedures and controls are not yet mature in their operation. If we are unable to adequately implement and maintain procedures and controls relating to our new ERP, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired and impact our assessment of the effectiveness of our internal controls over financial reporting.

Risks Related to Indebtedness and Financing

If we are not able to obtain suitable financing, or if the interest rates on our debt are increased, or if our credit ratings are lowered, our business and results of operations may decline.

Our business and results of operations depend substantially on our ability to obtain financing and lines of credit, whether from bank borrowings or from financing in the public debt markets. Our New Revolving Credit Facility, which provides for approximately \$1.90 billion in committed borrowing capacity and letters of credit, and substantial portions of our \$650.0 million term loan mature in February 2028, with smaller portions maturing in November 2025 and November 2026. In addition, \$1.60 billion of our senior notes become due and payable at various times from November 2025 through November 2029. We cannot be certain that we will be able to replace existing financing and credit lines or find additional sources of financing in the future on favorable terms or at all.

If we are not able to obtain suitable financing at reasonable terms or replace existing debt and credit facilities when they become due or expire, our costs for borrowings may increase and our revenues may decrease or we could be precluded from continuing our operations at current levels or expanding them.

Increases in interest rates can make it more difficult and/or expensive for us to obtain the funds and credit we need to operate our business. The amount of interest we incur on our revolving bank credit facility and term loan (exclusive of the amount we have hedged with interest rate swap transactions through October 2025 as further described in Note 6 – “Loans Payable, Senior Notes, and Mortgage Company Loan Facility” in Item 15(a)1 of this Form 10-K) fluctuates based on changes in short-term interest rates and the amount of borrowings we incur and letters of credit that are issued. Increases in interest rates generally and/or any downgrade in the ratings that national rating agencies assign to our outstanding debt securities could increase the interest rates we must pay on any subsequent issuances of debt securities, and any such ratings downgrade could also make it more difficult for us to sell such debt securities.

If home buyers are not able to obtain suitable financing, our results of operations may decline.

Our results of operations also depend on the ability of our potential home buyers to obtain mortgages for the purchase of our homes. Mortgage rates have increased significantly since January 2022, which has negatively impacted the overall housing market. Market conditions and/or government actions could cause mortgage rates to increase even further in the future. Any uncertainty in the mortgage markets and its impact on the overall mortgage market, including the tightening of credit standards, future increases in the effective cost of home mortgage financing (including as a result of changes to federal tax law), and increased government regulation, could adversely affect the ability of our customers to obtain financing for a home purchase, thus preventing our potential home buyers from purchasing our homes. In addition, where our potential home buyers must sell their existing homes in order to buy a home from us, increases in mortgage costs and/or lack of availability of mortgages could prevent the buyers of our potential home buyers' existing homes from obtaining the mortgages they need to complete their purchases, which would result in our potential home buyers' inability to buy a home from us. Similar risks apply to those buyers whose contracts are in our backlog of homes to be delivered. If our home buyers, potential buyers, or buyers of our home buyers' current homes cannot obtain suitable financing, our sales and results of operations could be adversely affected.

If our ability to resell mortgages to investors is impaired, our home buyers may be required to find alternative financing.

Generally, when our mortgage subsidiary closes a mortgage for a home buyer at a previously locked-in rate, it already has an agreement in place with an investor to acquire the mortgage following the closing. Our mortgage loans are sold to investors with limited recourse provisions derived from industry-standard representations and warranties in the relevant agreements. These representations and warranties primarily involve the absence of misrepresentations by the borrower or other parties, the appropriate underwriting of the loan and in some cases, a required minimum number of payments to be made by the borrower. We generally do not retain any other continuing interest related to mortgage loans sold in the secondary market. However, if these recourse provisions are not satisfied, the mortgage loans sold to investors could be returned to us. In addition, if the resale market for our mortgages decline or the underwriting standards of our investors become more stringent, our ability to sell future mortgage loans could be adversely affected and either we would have to commit our own funds to long-term investments in mortgage loans, which could, among other things, delay the time when we recognize revenues from home sales on our statements of operations, or our home buyers would be required to find an alternative source of financing. If our home buyers cannot obtain another source of financing in order to purchase our homes, our sales and results of operations could be adversely affected.

Risks Related to Other Events and Factors

Public health issues such as a major epidemic or pandemic could adversely affect our business or financial results.

The United States and other countries have experienced, and may experience in the future, outbreaks of contagious diseases that affect public health and public perception of health risk. In 2020, the COVID-19 pandemic resulted in federal, state and local governments and private entities mandating various restrictions, including the closures of non-essential businesses for a period of time, which had an adverse impact on our business. In addition, the effects of the pandemic on economic activity, combined with strong demand for new homes that followed the initial onset of the pandemic, caused many disruptions to our supply chain and shortages in certain building components and materials, as well as labor shortages, all of which lengthened our construction cycle times. During the pandemic, overall economic conditions, as well as demand for our homes and our ability to conduct normal business operations became highly unpredictable. Outbreaks of contagious diseases similar to the pandemic may occur in the future, which could have a significant negative impact on the economy, our ability to conduct normal business operations and our results of operations and financial condition.

Adverse weather conditions, natural disasters, and other conditions could disrupt the development of our communities, which could harm our sales and results of operations.

Adverse weather conditions and natural disasters can have serious effects on our ability to develop our residential communities and other aspects of our business. To the extent that hurricanes, tornadoes, severe storms, heavy or prolonged precipitation, earthquakes, droughts, floods, wildfires or other natural disasters or similar events occur, our homes under construction or our building lots in such states could be damaged or destroyed, which may result in losses exceeding our insurance coverage. Natural disasters can also lead to increased competition for subcontractors, which can delay our construction activities even after an event has concluded. They may also result in reduced demand for homes in a given community, as potential buyers may avoid areas they deem to be at higher risk of loss, or they may face higher costs for, or may be unable to obtain, fire, flood or other hazard insurance coverage in certain areas due to local environmental conditions or historical events.

In addition, our business may be affected by unforeseen engineering, environmental, or geological conditions or problems, including conditions or problems which arise on lands of third parties in the vicinity of our communities, but nevertheless negatively impact our communities. Any of these adverse events or circumstances could cause delays in or prevent the completion of, or increase the cost of, developing one or more of our residential communities and, as a result, could harm our sales and results of operations.

General Risk Factors

Increased domestic or international instability could have an adverse effect on our operations.

Increased domestic or international instability could adversely impact the economy and significantly reduce demand for homes and the number of new contracts we sign, increase the number of cancellations of existing contracts, and/or increase our operating expenses, which could adversely affect our business, results of operations and financial condition.

We could be adversely impacted by the loss of key management personnel or if we fail to attract qualified personnel.

Our future success depends, to a significant degree, on the efforts of our senior management and our ability to attract qualified personnel. Competition for qualified personnel in all of our operating markets, as well as within our corporate operations, is intense. Our operations could be adversely affected if key members of our senior management unexpectedly leave the Company; if we cannot attract qualified personnel to manage our business; or if we are unable to successfully manage transition matters when our senior executives, several of whom are approaching retirement age, retire.

Information technology failures and data security breaches could harm our business.

We use information technology and other computer resources to carry out important operational and marketing activities as well as maintain our business records, including information provided by our customers. Many of these resources are provided to us and/or maintained on our behalf by third-party service providers pursuant to agreements that specify certain security and service level standards. Our ability to conduct our business may be impaired if these resources are compromised, degraded, damaged or fail, whether due to a virus or other harmful circumstance, intentional breach or disruption of our information technology resources by a third party, natural disaster, hardware or software corruption, failure or error (including a failure of security controls incorporated into or applied to such hardware or software), telecommunications system failure, service provider error or failure, intentional or unintentional personnel actions (including the failure to follow our security protocols), or lost connectivity to our networked resources. A significant and extended disruption in the functioning of these resources could impair our operations, damage our reputation, and cause us to lose customers, sales and revenue.

In addition, breaches of our data security systems, including by cyber-attacks, could result in the unintended public disclosure or the misappropriation of our proprietary information or personal and confidential information, about our employees, consumers who view our homes, home buyers, mortgage loan applicants and business partners, requiring us to incur significant expense to address and resolve these kinds of issues. The release of confidential information may lead to identity theft and related fraud, litigation or other proceedings against us by affected individuals and/or business partners and/or by regulators, and the outcome of such proceedings, which could include penalties or fines, could have a material and adverse effect on our reputation, business, financial condition and results of operations. Depending on its nature, a particular breach or series of breaches of our systems may result in the unauthorized use, appropriation or loss of confidential or proprietary information on a one-time or continuing basis, which may not be detected for a period of time. In addition, the costs of maintaining adequate protection against such threats, as they develop in the future (or as legal requirements related to data security increase) could be material.

In recent years, we have been subject to cyber incidents including an attack that temporarily disrupted access to certain of our systems and an incident involving identity theft through the unauthorized access of one of our third-party service provider's information systems. Neither of these incidents individually or in the aggregate resulted in any material liability to us, any material damage to our reputation, or any material disruption to our operations. However, as a result of a widespread increase in the frequency and number of cyber-attacks, we expect that we will continue to be the target of additional and increasingly sophisticated cyber-attacks and data security breaches, and the safeguards we have designed to help prevent these incidents from occurring may not be successful. Any further increase in the frequency or scope of cyber-attacks may exacerbate these data security risks. If we experience additional cyber-attacks or data security breaches in the future, we could suffer material liabilities, our reputation could be materially damaged, and our operations could be materially disrupted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Headquarters

Our corporate office, which we lease from an unrelated party, contains approximately 163,000 square feet and is located in Fort Washington, Pennsylvania.

Manufacturing/Distribution Facilities

We own a manufacturing facility of approximately 225,000 square feet located in Morrisville, Pennsylvania, a manufacturing facility totaling approximately 150,000 square feet located in Emporia, Virginia and a manufacturing facility totaling approximately 30,500 square feet in Bartow, Florida. We also lease, from unrelated parties, a facility of approximately 56,000 square feet located in Fairless Hills, Pennsylvania and two facilities of approximately 38,000 square feet, on a combined basis, located in Westfield, Massachusetts. In addition, we own a 34,000-square foot manufacturing, warehouse, and office facility in Culpepper, Virginia. At these facilities, our Toll Integrated Systems subsidiary manufactures open wall panels, roof and floor trusses, and certain interior and exterior millwork to supply a portion of our construction needs. These facilities supply components used in our North, Mid-Atlantic, and portions of our South geographic regions. These operations also permit us to purchase wholesale lumber, sheathing, windows, doors, certain other interior and exterior millwork, and other building materials to supply to our communities. We believe that increased efficiencies, cost savings, quality control and productivity result from the operation of these plants and from the wholesale purchase of materials.

ITEM 3. LEGAL PROCEEDINGS

We are involved in various claims and litigation arising principally in the ordinary course of business. We believe that adequate provision for resolution of all current claims and pending litigation has been made and that the disposition of these matters will not have a material adverse effect on our results of operations and liquidity or on our financial condition.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Shares of our common stock are listed on the New York Stock Exchange (“NYSE”) under the symbol “TOL”. At December 15, 2023, there were approximately 399 record holders of our common stock.

Issuer Purchases of Equity Securities

During the three months ended October 31, 2023, we repurchased the following shares of our common stock:

Period	Total number of shares purchased (a)	Average price paid per share (b)	Total number of shares purchased as part of a publicly announced plan or program (c)	Maximum number of shares that may yet be purchased under the plan or program (c)
	(in thousands)		(in thousands)	(in thousands)
August 1, 2023 to August 31, 2023	707	\$ 78.18	707	10,309
September 1, 2023 to September 30, 2023	2,301	\$ 76.39	2,301	8,008
October 1, 2023 to October 31, 2023	1,292	\$ 70.64	1,292	6,716
Total	<u>4,300</u>		<u>4,300</u>	

- (a) Our stock incentive plans permit us to withhold from the total number of shares that otherwise would be issued to a performance based restricted stock unit recipient or a restricted stock unit recipient upon distribution that number of shares having a fair value at the time of distribution equal to the applicable income tax withholdings due and remit the remaining shares to the recipient. During the three months ended October 31, 2023, we withheld 153,756 of the shares subject to performance based restricted stock units and restricted stock units to cover approximately \$181,000 of income tax withholdings and we issued the remaining 6,837 shares to the recipients. The shares withheld are not included in the total number of shares purchased in the table above.

Our stock incentive plans also permit participants to exercise non-qualified stock options using a “net exercise” method. In a net exercise, we generally withhold from the total number of shares that otherwise would be issued to the participant upon exercise of the stock option that number of shares having a fair market value at the time of exercise equal to the option exercise price and applicable income tax withholdings, and remit the remaining shares to the participant. During the three-month period ended October 31, 2023, the net exercise method was not employed to exercise options.

- (b) Average price paid per share includes costs associated with the purchases, but excludes any excise tax that we accrue on our share repurchases as a result of the Inflation Reduction Act of 2022.
- (c) On May 17, 2022, our Board of Directors authorized the repurchase of 20 million shares of our common stock in open market transactions, privately negotiated transactions (including accelerated share repurchases), issuer tender offers or other financial arrangements or transactions for general corporate purposes, including to obtain shares for the Company’s equity award and other employee benefit plans. This authorization terminated, effective May 17, 2022, the prior authorization that had been in effect since March 10, 2020. Most recently, on December 13, 2023, the Board of Directors renewed its authorization to repurchase 20 million shares of our common stock and terminated, effective the same date, the existing authorization that had been in effect since May 17, 2022. Our Board of Directors did not fix any expiration date for the current share repurchase program.

Our revolving credit agreement and term loan agreement each require us to maintain a minimum tangible net worth (as defined in the respective agreements), which limit the amount of share repurchases we may make. Based upon these provisions, our ability to repurchase our common stock was limited to approximately \$3.60 billion as of October 31, 2023.

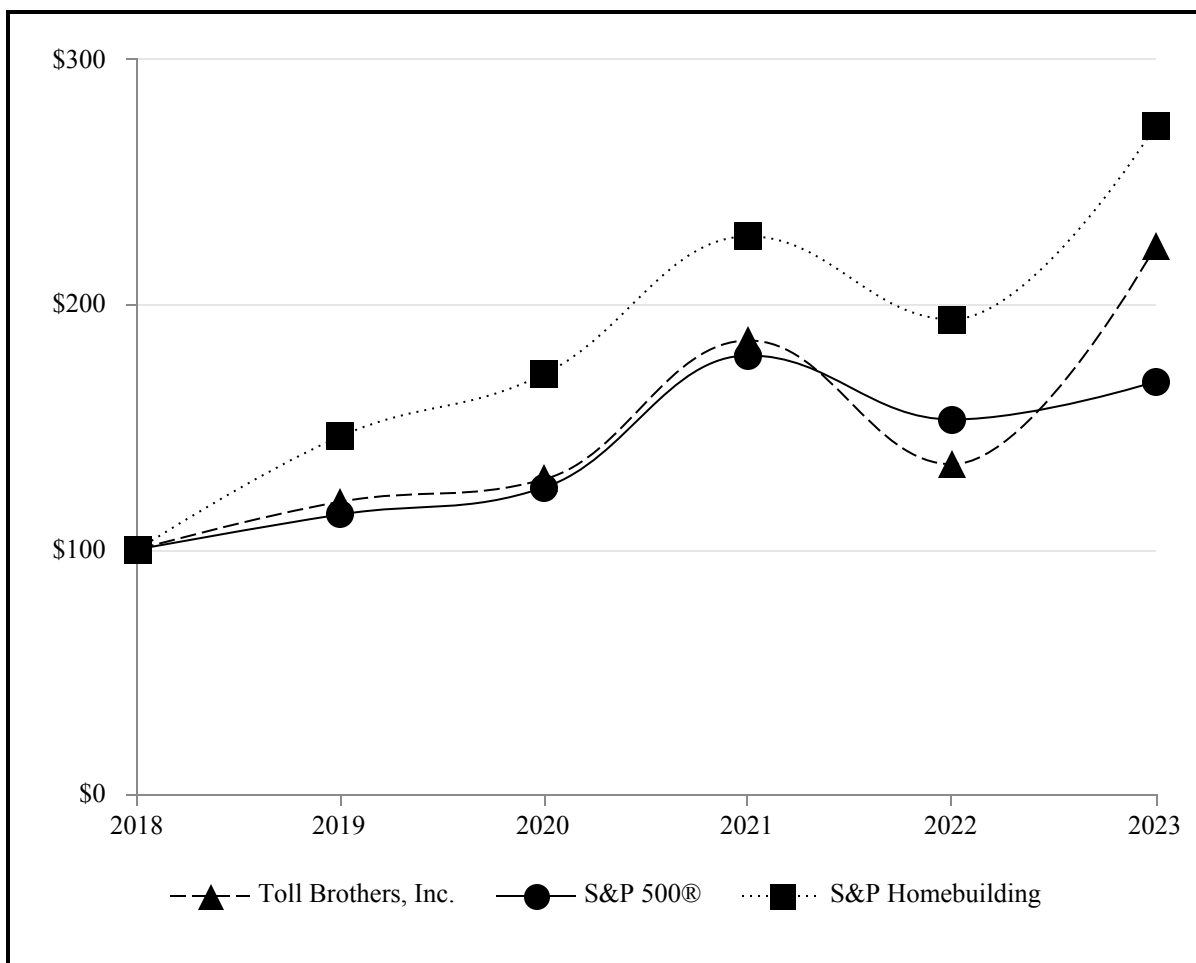
Dividends

During fiscal 2023, we paid aggregate cash dividends of \$0.83 per share to our shareholders. The payment of dividends is within the discretion of our Board of Directors and any decision to pay dividends in the future, and the amount of any such dividend, will depend upon an evaluation of a number of factors, including our results of operations, our capital requirements, our operating and financial condition, and any contractual limitations then in effect. Our revolving credit agreement and term loan agreement each require us to maintain a minimum tangible net worth (as defined in the respective agreement), which restricts the amount of dividends we may pay. At October 31, 2023, under the provisions of our revolving credit agreement and term loan agreement, we could have paid up to approximately \$2.76 billion of cash dividends.

Stockholder Return Performance Graph

The following graph and chart compares the five-year cumulative total return (assuming that an investment of \$100 was made on October 31, 2018, and that dividends were reinvested) from October 31, 2018 to October 31, 2023, for (a) our common stock, (b) the S&P Homebuilding Index and (c) the S&P 500®:

Comparison of 5 Year Cumulative Total Return Among Toll Brothers, Inc., the S&P 500®, and the S&P Homebuilding Index



October 31:	2018	2019	2020	2021	2022	2023
Toll Brothers, Inc.	\$ 100.00	\$ 119.55	\$ 128.77	\$ 185.36	\$ 134.77	\$ 224.13
S&P 500®	\$ 100.00	\$ 114.33	\$ 125.43	\$ 179.25	\$ 153.06	\$ 168.59
S&P Homebuilding Index	\$ 100.00	\$ 146.42	\$ 171.86	\$ 227.93	\$ 193.98	\$ 273.26

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

This discussion and analysis is based on, should be read together with, and is qualified in its entirety by, the Consolidated Financial Statements and Notes thereto in Item 15(a)1 of this Form 10-K, beginning at page F-1. It also should be read in conjunction with the disclosure under "Forward-Looking Statements" in Part I of this Form 10-K.

When this report uses the words "we," "us," "our," and the "Company," they refer to Toll Brothers, Inc. and its subsidiaries, unless the context otherwise requires. References herein to fiscal year refer to our fiscal years ended or ending October 31.

Unless otherwise stated in this report, net contracts signed represents a number or value equal to the gross number or value of contracts signed during the relevant period, less the number or value of contracts cancelled during the relevant period, which includes contracts that were signed during the relevant period and in prior periods. Backlog consists of homes under contract but not yet delivered to our home buyers ("backlog"). Backlog conversion represents the percentage of homes delivered in the period from backlog at the beginning of the period ("backlog conversion").

OVERVIEW

Our Business

We design, build, market, sell, and arrange financing for an array of luxury residential single-family detached, attached, master-planned, resort-style golf, and urban low-, mid-, and high-rise communities, principally on land we develop and improve, as we continue to pursue our strategy of broadening our product lines, price points and geographic footprint. We cater to luxury first-time, move-up, empty-nester, active-adult, and second-home buyers in the United States, as well as urban and suburban renters. We also design, build, market, and sell high-density, high-rise urban luxury condominiums with third-party joint venture partners. At October 31, 2023, we were operating in 24 states and in the District of Columbia.

In the five years ended October 31, 2023, we delivered 46,701 homes from 931 communities, including 9,597 homes from 481 communities in fiscal 2023. At October 31, 2023, we had 930 communities in various stages of planning, development or operations containing approximately 70,700 home sites that we owned or controlled through options.

We operate our own architectural, engineering, mortgage, title, land development, insurance, smart home technology and landscaping subsidiaries. We also develop master-planned and golf course communities as well as operate, in certain regions, our own lumber distribution, house component assembly and component manufacturing operations.

In addition to our residential for-sale business, we also develop and operate for-rent apartments through joint ventures. See the section entitled "Toll Brothers Apartment Living/Toll Brothers Campus Living" below.

We have investments in various unconsolidated entities, including our Land Development Joint Ventures, Home Building Joint Ventures, Rental Property Joint Ventures and Gibraltar Joint Ventures.

Financial Highlights

In fiscal 2023, we recognized \$9.99 billion of revenues, consisting of \$9.87 billion of home sales revenues and \$128.9 million of land sales and other revenues, and net income of \$1.37 billion, as compared to \$10.28 billion of revenues, consisting of \$9.71 billion of home sales revenues and \$564.4 million of land sales and other revenues, and net income of \$1.29 billion in fiscal 2022.

In fiscal 2023 and 2022, the value of net contracts signed was \$7.91 billion (8,077 homes) and \$9.07 billion (8,255 homes), respectively. The value of our backlog at October 31, 2023 was \$6.95 billion (6,578 homes), as compared to our backlog at October 31, 2022 of \$8.87 billion (8,098 homes).

At October 31, 2023, we had \$1.30 billion of cash and cash equivalents and approximately \$1.79 billion available for borrowing under our \$1.905 billion revolving credit facility (the "New Revolving Credit Facility"), which matures in February 2028. At October 31, 2023, we had no outstanding borrowings under the New Revolving Credit Facility and had outstanding letters of credit of approximately \$118.9 million.

At October 31, 2023, our total equity and our debt to total capitalization ratio were \$6.81 billion and 0.30 to 1.00, respectively.

Our Business Environment and Current Outlook

Since January 2023, we have experienced solid demand for our homes as the housing market adjusted to a new environment following the steep and rapid rise in mortgage rates that occurred over the course of 2022. Despite mortgage rates that remain elevated, the market for new homes has been supported by very low levels of resale inventory on the market, favorable demographic trends, and a supply-demand imbalance resulting from the underproduction of homes for over a decade. In recent months, the 30-year fixed mortgage rate has declined from over 8.0% to approximately 7.25%, which we believe is also supportive of demand. However, the direction of mortgage rates and the overall economy is uncertain, and the extent to which demand may improve, or remain at current levels, is unclear. We believe we are well positioned to meet changing market conditions due to our strategies of expanding our product offerings, price points, and geographic footprint, balancing the mix of our built-to-order and quick move-in homes in inventory, and our focus on operational efficiency. Over the long term, we continue to believe that the housing market will benefit from strong fundamentals, including demographic trends, the age of the existing housing stock, and an overall shortage of homes in the United States.

In addition, the disruptions in the supply chain for certain building materials and tightness in the labor market we experienced during the past two years have largely subsided, and our construction cycle times have improved.

Competitive Landscape

The home building business is highly competitive and fragmented. We compete with numerous home builders of varying sizes, ranging from local to national in scope, some of which have greater sales and financial resources than we do. Sales of existing homes, whether by a homeowner or by a financial institution that may have acquired a home through a foreclosure, also provide competition. We compete primarily based on price, location, design, quality, service, and reputation. We believe our financial stability, relative to many others in our industry, provides us with a competitive advantage.

Land Acquisition and Development

Our business is subject to many risks because of the extended length of time that it takes to obtain the necessary approvals on a property, complete the land improvements and community amenities, and build and deliver a home. We attempt to reduce some of these risks and improve our capital efficiency by utilizing one or more of the following methods: controlling land for future development through options, which enables us to obtain necessary governmental approvals before acquiring title to the land; commencing construction of a built-to-order home only after executing an agreement of sale and receiving a substantial down payment from the buyer; and using subcontractors to perform home and amenity construction and land development work on a fixed-price basis.

During fiscal 2023 and 2022, we acquired control of approximately 4,200 and 5,700 home sites, respectively, net of options terminated and home sites sold. During fiscal 2023 and 2022, we forfeited control of over 4,000 and 9,000 lots, respectively, subject to land purchase agreements primarily because the planned community no longer met our development criteria. At October 31, 2023, we controlled approximately 70,700 home sites, as compared to approximately 76,000 home sites at October 31, 2022, and approximately 80,900 home sites at October 31, 2021. In addition, at October 31, 2023, we expect to purchase approximately 8,200 additional home sites from several Land Development Joint Ventures in which we have an interest, at prices not yet determined.

Of the approximately 70,700 total home sites that we owned or controlled through options at October 31, 2023, we owned approximately 35,900 and controlled approximately 34,700 through options. Of the 70,700 home sites, approximately 17,100 were substantially improved.

In addition, at October 31, 2023, our Land Development Joint Ventures owned approximately 25,800 home sites (including 332 home sites included in the 34,700 controlled through options).

At October 31, 2023, we were selling from 370 communities, compared to 348 communities at October 31, 2022, and 340 communities at October 31, 2021.

Customer Mortgage Financing

We maintain relationships with a diversified group of mortgage financial institutions, many of which are among the largest in the industry. We believe that national, regional and community banks continue to recognize the long-term value in creating relationships with our home buyers, and these banks continue to provide these customers with financing.

We believe that our home buyers generally are, and should continue to be, well-positioned to secure mortgages due to their typically lower loan-to-value ratios and attractive credit profiles, as compared to the average home buyer.

Toll Brothers Apartment Living/Toll Brothers Campus Living

In addition to our residential for-sale business, we also develop and operate for-rent apartments generally through joint ventures. At October 31, 2023, we or joint ventures in which we have an interest, controlled 44 land parcels that are planned as for-rent apartment projects containing approximately 22,200 units. These projects, which are located in multiple metropolitan areas throughout the country, are being operated, are being developed, or will be developed with partners under the brand names Toll Brothers Apartment Living and Toll Brothers Campus Living.

In fiscal 2023, two of our Rental Property Joint Ventures sold their assets to unrelated parties, resulting in aggregate gains of \$106.2 million recognized by the joint ventures. From our investments in these joint ventures, we received cash and recognized gains of \$50.9 million in fiscal 2023. In addition, in fiscal 2023, we sold our ownership interest in one of our Rental Property Joint Ventures and recognized a gain of \$16.0 million. In fiscal 2022, one of our Rental Property Joint Ventures sold its assets to an unrelated party, resulting in a gain of \$29.9 million recognized by the joint venture. From our investment in this joint venture, we received cash and recognized a gain of \$21.0 million in fiscal 2022. The gains recognized from these sales are included in “Income from unconsolidated entities” in our Consolidated Statements of Operations and Comprehensive Income included in Item 15(a)1 of this Form 10-K.

At October 31, 2023, we had approximately 3,400 units in for-rent apartment projects that were occupied or ready for occupancy, 3,400 units in the lease-up stage, 9,900 units in the design phase or under development, and 5,500 units in the planning stage. Of the 22,200 units at October 31, 2023, 14,500 were owned by joint ventures in which we have an interest; approximately 1,800 were owned by us; and 5,900 were under contract to be purchased by us.

Contracts and Backlog

The aggregate value of net sales contracts signed decreased 13% in fiscal 2023, as compared to fiscal 2022. The value of net sales contracts signed was \$7.91 billion (8,077 homes) in fiscal 2023 and \$9.07 billion (8,255 homes) in fiscal 2022. The decrease in the aggregate value of net contracts signed in fiscal 2023, as compared to fiscal 2022, was due to a 2% decrease in the number of net contracts signed and an 11% decrease in the average value of each contract signed. The decrease in the number of net contracts signed in fiscal 2023, as compared to fiscal 2022, reflects an overall moderation in demand as compared to the first half of the prior fiscal year primarily due to increases in mortgage rates that commenced in 2022. The decrease in average value attributed to each signed contracts signed in fiscal 2023 was principally due to a shift in the number of contracts signed to less expensive areas and/or products coupled with an increase in average sales incentives. The average value attributed to each contract signed includes the value of each binding agreement of sale that was signed in the period, as well as the value of all options selected during the period, regardless of when the initial agreement of sale related to such options was signed.

The value of our backlog at October 31, 2023, 2022, and 2021 was \$6.95 billion (6,578 homes), \$8.87 billion (8,098 homes), and \$9.50 billion (10,302 homes), respectively. Approximately 96% of the homes in backlog at October 31, 2023 are expected to be delivered by October 31, 2024. The 22% decrease in the value of homes in backlog at October 31, 2023, as compared to October 31, 2022, was due to the delivery of more homes out of backlog than were added during fiscal 2023, and a decrease in the average value of each contract signed.

For more information regarding revenues, net contracts signed, and backlog by geographic segment, see “Segments” in this MD&A.

CRITICAL ACCOUNTING ESTIMATES

U.S. generally accepted accounting principles (“GAAP”) require us to make estimates and assumptions that affect our reported amounts in the consolidated financial statements and accompanying notes. Our estimates are based on (i) currently known facts and circumstances, (ii) prior experience, (iii) assessments of probability, (iv) forecasted financial information, and (v) assumptions that management believes to be reasonable but that are inherently uncertain and unpredictable. We use our best judgment when measuring these estimates, and if warranted, obtain advice from external sources. On an ongoing basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. In times of economic disruption when uncertainty regarding future economic conditions is heightened, these estimates and assumptions are subject to greater variability.

For a discussion of all our significant accounting policies, including our critical accounting policies, refer to Note 1, “Significant Accounting Policies” of the Consolidated Financial Statements. We believe that the accounting estimates and assumptions described below involve significant subjectivity and judgment, and changes to such estimates or assumptions could have a material impact on our financial condition or operating results. Therefore, we consider an understanding of the variability and

judgment required in making these estimates and assumptions to be critical in fully understanding and evaluating our reported financial results.

We believe the following critical accounting estimates reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Inventory

Inventory is stated at cost unless an impairment exists, in which case it is written down to fair value in accordance with GAAP. In addition to direct land acquisition, land development, and home construction costs, costs also include interest, real estate taxes, and direct overhead related to development and construction, which are capitalized to inventory during periods beginning with the commencement of development and ending with the completion of construction. Because our inventory is considered a long-lived asset under GAAP, we are required to regularly review the carrying value of each of our communities and write down the value of those communities when we believe the values are not recoverable.

Operating Communities: When the profitability of an operating community deteriorates, the sales pace declines significantly, or some other factor indicates a possible impairment in the recoverability of the asset, the asset is reviewed for impairment by comparing the estimated future undiscounted cash flow for the community to its carrying value. If the estimated future undiscounted cash flow is less than the community's carrying value, the carrying value is written down to its estimated fair value. Estimated fair value is primarily determined by discounting the estimated future cash flow of each community. The discount rate used in determining each asset's fair value reflects inherent risks associated with the related estimated cash flows, as well as current risk-free rates available in the market and estimated market risk premiums. In estimating the future undiscounted cash flow of a community, we use various estimates such as (i) the expected sales pace in a community, based upon general economic conditions that will have a short-term or long-term impact on the market in which the community is located and on competition within the market, including the number of home sites available and pricing and incentives being offered in other communities owned by us or by other builders; (ii) the expected sales prices and sales incentives to be offered in a community; (iii) costs expended to date and expected to be incurred in the future, including, but not limited to, land and land development costs, home construction, interest, and overhead costs; (iv) alternative product offerings that may be offered in a community that will have an impact on sales pace, sales price, building cost, or the number of homes that can be built in a particular community; and (v) alternative uses for the property, such as the possibility of a sale of the entire community to another builder or the sale of individual home sites. Any impairment is charged to cost of home sales revenues in the period in which the impairment is determined.

Future Communities: We evaluate all land held for future communities or future sections of operating communities, whether owned or optioned, to determine whether or not we expect to proceed with the development of the land as originally contemplated. This evaluation encompasses the same types of estimates used for operating communities described above, as well as an evaluation of the regulatory environment in which the land is located and the estimated probability of obtaining the necessary approvals, the estimated time and cost it will take to obtain those approvals, alternative land uses and the possible concessions that may be required to be given in order to obtain them. Concessions may include cash payments to fund improvements to public places such as parks and streets, dedication of a portion of the property for use by the public or as open space, or a reduction in the density or size of the homes to be built or commitment to build or fund certain dedicated workforce and affordable housing units. Based upon this review, we decide (i) as to land under contract to be purchased, whether the contract will likely be terminated or renegotiated, and (ii) as to land we own, whether the land will likely be developed as contemplated or in an alternative manner, or should be sold. We then further determine whether costs that have been capitalized to the community are recoverable or should be written off. The write-off is charged to cost of home sales revenues in the period in which the need for the write-off is determined.

The estimates used in the determination of the estimated cash flows and fair value of both current and future communities are based on factors known to us at the time such estimates are made and our expectations of future operations and economic conditions. Should the estimates or expectations used in determining estimated fair value deteriorate in the future, we may be required to recognize additional impairment charges and write-offs related to current and future communities and such amounts could be material.

We have not made any material changes in the accounting methodology we use to assess possible impairments during the past three fiscal years.

We recognized inventory impairment charges and the expensing of costs that we believed not to be recoverable in each of the three fiscal years ended October 31, 2023, 2022, and 2021, as shown in the table below (amounts in thousands):

	2023	2022	2021
Land controlled for future communities	\$ 10,712	\$ 13,051	\$ 5,620
Land owned for future communities	1,493	19,690	19,805
Operating communities	18,501	—	1,110
	<u>\$ 30,706</u>	<u>\$ 32,741</u>	<u>\$ 26,535</u>

Cost of Revenue Recognition

Cost of revenues from home sales are recognized at the time each home is delivered and title and possession are transferred to the buyer.

For our standard attached and detached homes, land, land development, and related costs, both incurred and estimated to be incurred in the future, are amortized to the cost of homes closed based upon the total number of homes expected to be constructed in each community. Any changes resulting from a change in the estimated number of homes to be constructed or in the estimated costs subsequent to the commencement of delivery of homes are allocated to the remaining undelivered homes in the community. Home construction and related costs are charged to the cost of homes closed under the specific identification method. For our master-planned communities, the estimated land, common area development, and related costs, including the cost of golf courses, net of their estimated residual value, are allocated to individual communities within a master-planned community on a relative sales value basis. Any changes resulting from a change in the estimated number of homes to be constructed or in the estimated costs are allocated to the remaining home sites in each of the communities of the master-planned community.

For high-rise/mid-rise projects, land, land development, construction, and related costs, both incurred and estimated to be incurred in the future, are generally amortized to the cost of units closed based upon an estimated relative sales value of the units closed to the total estimated sales value. Any changes resulting from a change in the estimated total costs or revenues of the project are allocated to the remaining units to be delivered.

We rely on certain estimates to determine our construction and land development costs. Construction and land costs are comprised of direct and allocated costs, including estimated future costs. In determining these costs, we compile community budgets that are based on a variety of assumptions, including future construction schedules and costs to be incurred. Actual results can differ from budgeted amounts for various reasons, including construction delays, labor or material shortages, slower absorptions, increases in costs that have not yet been committed, changes in governmental requirements, or other unanticipated issues encountered during construction and development and other factors beyond our control. To address uncertainty in these budgets, we assess, update and revise community budgets on a regular basis, utilizing the most current information available to estimate home construction and land costs.

We have not made any material changes in the methodology used in developing and revising community budgets over the past three fiscal years.

Warranty and Self-Insurance

Warranty: We provide all of our home buyers with a limited warranty as to workmanship and mechanical equipment. We also provide many of our home buyers with a limited 10-year warranty as to structural integrity. We accrue for expected warranty costs at the time each home is closed and title and possession are transferred to the home buyer. Warranty costs are accrued based upon historical experience related to product type, geographic location and other community specific factors.

Adjustments to our warranty liabilities related to homes delivered in prior years are recorded in the period in which a change in our estimate occurs. Over the past decade, we have had a significant number of warranty claims related primarily to homes built in Pennsylvania and Delaware. See Note 7, “Accrued Expenses” in Item 15(a)1 of this Form 10-K for additional information regarding these warranty charges. We have not made any material changes in our methodology or significant assumptions used to establish our warranty reserves during the past three fiscal years.

Self-Insurance: We maintain, and require the majority of our subcontractors to maintain, general liability insurance (including construction defect and bodily injury coverage) and workers’ compensation insurance. These insurance policies protect us against a portion of our risk of loss from claims related to our home building activities, subject to certain self-insured retentions, deductibles and other coverage limits (“self-insured liability”). We also provide general liability insurance for our subcontractors in Arizona, California, Colorado, Nevada, Washington, and certain areas of Texas, where eligible subcontractors are enrolled as insureds under our general liability insurance policies in each community in which they perform work. For those enrolled subcontractors, we absorb their general liability associated with the work performed on our homes within the

applicable community as part of our overall general liability insurance and our self-insurance through our captive insurance subsidiary.

We record expenses and liabilities based on the estimated costs required to cover our self-insured liability and the estimated costs of potential claims and claim adjustment expenses that are not covered by our insurance policies. These estimated costs are based on an analysis of our historical claims and industry data, and include an estimate of claims incurred but not yet reported (“IBNR”).

We engage a third-party actuary that uses our historical claim and expense data, input from our internal legal and risk management groups, as well as industry data, to estimate our liabilities related to unpaid claims, IBNR associated with the risks that we are assuming for our self-insured liability and other required costs to administer current and expected claims. These estimates are subject to uncertainty due to a variety of factors, the most significant being the long period of time between the delivery of a home to a home buyer and when a structural warranty or construction defect claim is made, and the ultimate resolution of the claim. Though state regulations vary, construction defect claims are reported and resolved over a prolonged period of time, which can extend for 10 years or longer. As a result, the majority of the estimated liability relates to IBNR. Adjustments to our liabilities related to homes delivered in prior years are recorded in the period in which a change in our estimate occurs.

The projection of losses related to these liabilities requires actuarial assumptions that are subject to variability due to uncertainties regarding construction defect claims relative to our markets and the types of product we build, insurance industry practices and legal or regulatory actions and/or interpretations, among other factors. Key assumptions used in these estimates include claim frequencies, severity and settlement patterns, which can occur over an extended period of time. In addition, changes in the frequency and severity of reported claims and the estimates to settle claims can impact the trends and assumptions used in the actuarial analysis, which could be material to our consolidated financial statements. Due to the degree of judgment required, and the potential for variability in these underlying assumptions, our actual future costs could differ from those estimated, and the difference could be material to our consolidated financial statements.

We have not made any material changes in our methodology used to establish our self-insurance reserves during the past three fiscal years. Over the past three fiscal years adjustments to our estimates have not been material.

Investments in Unconsolidated Entities

We evaluate our investments in unconsolidated entities for indicators of impairment on a quarterly basis. A series of operating losses of an investee, the inability to recover our invested capital, or other factors may indicate that a loss in value of our investment in the unconsolidated entity has occurred. If a loss exists, we further review to determine if the loss is other than temporary, in which case we write down the investment to its estimated fair value. The amount of impairment recognized is the excess of the investment’s carrying amount over its estimated fair value.

The evaluation of our investments in unconsolidated entities for other-than-temporary impairment entails a detailed cash flow analysis using many estimates, including but not limited to: (1) projected future distributions from the unconsolidated entities, (2) discount rates applied to the future distributions and (3) various other factors. For our unconsolidated entities that develop for-sale homes and condominiums these other factors include those that are similar to how we evaluate our inventory for impairment as described above, such as expected sales pace, expected sales price, and costs incurred and anticipated. For our unconsolidated entities that own, develop and manage for-rent residential apartments, these other factors may include rental trends, expected future expenses and cap rates. Our assumptions on the projected future distributions from unconsolidated entities are also dependent on market conditions, sufficiency of financing and capital and competition.

We believe our assumptions on discount rates require significant judgment because the selection of the discount rate may significantly impact the estimated fair value of our investments in unconsolidated entities. A higher discount rate reduces the estimated fair value of our investments in unconsolidated entities, while a lower discount rate increases the estimated fair value of our investments in unconsolidated entities. During the year ended October 31, 2023, we utilized discount rates ranging from 10% to 18% in our valuations. Because of changes in economic conditions, actual results could differ materially from management’s assumptions and may require material valuation adjustments to our investments in unconsolidated entities to be recorded in the future.

RESULTS OF OPERATIONS

The following table compares certain items in our Consolidated Statements of Operations and Comprehensive Income and other supplemental information for fiscal 2023 and 2022 (\$ amounts in millions, unless otherwise stated). For more information regarding results of operations by operating segment, see “Segments” in this MD&A.

	Years ended October 31,		
	2023	2022	% Change
Revenues:			
Home sales	\$ 9,866.0	\$ 9,711.2	2 %
Land sales and other	128.9	564.4	
	<u>9,994.9</u>	<u>10,275.6</u>	(3)%
Cost of revenues:			
Home sales	7,207.3	7,237.4	— %
Land sales and other	153.5	551.8	
	<u>7,360.7</u>	<u>7,789.2</u>	(6)%
Selling, general and administrative	909.4	977.8	(7)%
Income from operations	<u>1,724.8</u>	<u>1,508.6</u>	14 %
Other:			
Income from unconsolidated entities	50.1	23.7	111 %
Other income - net	67.5	171.4	(61)%
Income before income taxes	<u>1,842.4</u>	<u>1,703.7</u>	8 %
Income tax provision	470.3	417.2	13 %
Net income	<u>\$ 1,372.1</u>	<u>\$ 1,286.5</u>	7 %
Supplemental information:			
Home sales cost of revenues as a percentage of home sales revenues	73.1 %	74.5 %	
Land sales and other cost of revenues as a percentage of land sales and other revenues	119.1 %	97.8 %	
SG&A as a percentage of home sales revenues	9.2 %	10.1 %	
Effective tax rate	25.5 %	24.5 %	
Deliveries – units	9,597	10,515	(9)%
Deliveries – average sales price (in ‘000s)	\$ 1,028.0	\$ 923.6	11 %
Net contracts signed – value	\$ 7,907.8	\$ 9,067.4	(13)%
Net contracts signed – units	8,077	8,255	(2)%
Net contracts signed – average sales price (in ‘000s)	\$ 979.1	\$ 1,098.4	(11)%
At October 31,			
	2023	2022	% Change
Backlog – value	\$ 6,945.3	\$ 8,874.1	(22)%
Backlog – units	6,578	8,098	(19)%
Backlog – average sales price (in ‘000s)	\$ 1,055.8	\$ 1,095.8	(4)%

Note: Due to rounding, amounts may not add. “Net contracts signed – value” is net of all cancellations that occurred in the period. It includes the value of each binding agreement of sale that was signed in the period, plus the value of all options that were selected during the period, regardless of when the initial agreements of sale related to such options were signed.

A discussion and analysis regarding Results of Operations and Analysis of Financial Condition for the year ended October 31, 2022, as compared to the year ended October 31, 2021, is included in Part II, Item 7, “MD&A” to our Annual Report on Form 10-K for the fiscal year ended October 31, 2022, filed with the SEC on December 19, 2022.

FISCAL 2023 COMPARED TO FISCAL 2022

Home Sales Revenues and Home Sales Cost of Revenues

The increase in home sales revenues in fiscal 2023, as compared to fiscal 2022, was attributable to an 11% increase in the average price of the homes delivered, offset, in part, by a 9% decrease in the number of homes delivered. The increase in the average delivered home price was mainly due to our ability to raise prices in certain communities as well as an increase in homes delivered in more expensive product types/geographic regions. The decrease in the number of homes delivered in fiscal 2023, as compared to fiscal 2022, is principally due to a decrease in the number of homes in backlog at October 31, 2022, as compared to the number of homes in backlog at October 31, 2021, offset, in part, by higher backlog conversion and an increase in the number of quick move-in homes delivered in fiscal 2023.

Home sales cost of revenues, as a percentage of homes sales revenues, in fiscal 2023 was 73.1%, as compared to 74.5% in fiscal 2022. The decrease in fiscal 2023 was principally due to a shift in the mix of revenues to higher margin products/areas, sales price increases outpacing cost increases, and lower interest expense as a percentage of home sales revenues. Interest cost in fiscal 2023 was \$139.4 million or 1.4% of home sales revenues, as compared to \$164.8 million or 1.7% of home sales revenues in fiscal 2022. We recognized inventory impairments and write-offs of \$30.7 million, or 0.3% of home sales revenues, and \$32.7 million, or 0.3% of home sales revenues, in fiscal 2023 and fiscal 2022, respectively.

Land Sales and Other Revenues and Land Sales and Other Cost of Revenues

Our revenues from land sales and other generally consist of the following: (1) land sales to joint ventures in which we retain an interest; (2) lot sales to third-party builders within our master-planned communities; (3) bulk land sales to third parties of land we have decided no longer meets our development criteria; and (4) sales of commercial and retail properties generally located at our urban luxury condominium communities. Land sales to joint ventures in which we retain an interest are generally sold at our land basis and therefore little to no gross margin is earned on these sales.

In fiscal 2023, we sold three land parcels to newly formed Rental Property Joint Ventures in which we have an interest for approximately \$44.2 million. In fiscal 2022, we sold nine land parcels to newly formed Rental Property Joint Ventures in which we have an interest for approximately \$322.3 million. Minimal gains were recognized on these land sales to joint ventures. During fiscal 2023, we recorded impairment charges of \$30.6 million in connection with planned land sales. In fiscal 2022, we recorded an impairment charge of \$6.8 million related to office space associated with certain Hoboken, New Jersey condominium projects in connection with a planned sale.

Selling, General and Administrative Expenses (“SG&A”)

SG&A spending decreased by \$68.3 million in fiscal 2023, as compared to fiscal 2022. As a percentage of home sales revenues, SG&A was 9.2% and 10.1% in fiscal 2023 and 2022, respectively. The dollar decrease in SG&A was primarily due to lower headcount and lower variable selling expense on a decreased number of homes delivered in fiscal 2023. In addition, fiscal 2022 includes a \$10.0 million charge for a charitable contribution made to the Toll Brothers Foundation. The decrease in SG&A, as a percentage of home sales revenues, was primarily due to improved fixed cost leverage on lower headcount and reduced commission rates in fiscal 2023, as compared to fiscal 2022.

Income from Unconsolidated Entities

We recognize our proportionate share of the earnings and losses from the various unconsolidated entities in which we have an investment. Many of our unconsolidated entities are land development projects, high-rise/mid-rise condominium construction projects, or for-rent apartment projects and for-rent single-family home projects, which do not generate revenues and earnings for a number of years during the development of the property. Once development is complete for land development projects and high-rise/mid-rise condominium construction projects, these unconsolidated entities will generally, over a relatively short period of time, generate revenues and earnings until all of the assets of the entity are sold. Further, once for-rent apartments and for-rent single-family home projects are complete and stabilized, we may monetize a portion of these projects through a recapitalization or a sale of all or a portion of our ownership interest in the joint venture, resulting in an income-producing event. Because of the long development periods associated with these entities, the earnings recognized from these entities may vary significantly from quarter to quarter and year to year.

For our Rental Property Joint Ventures specifically, these entities typically generate operating losses until the related property reaches stabilization. For the fiscal years 2023 and 2022, our earnings related to the Rental Property Joint Ventures include approximately \$32.9 million and \$17.5 million of our share of net operating losses incurred by these joint ventures, respectively, of which approximately \$26.1 million and \$21.7 million was our share of the depreciation expense recognized by these joint ventures, respectively.

The increase in income from unconsolidated entities to \$50.1 million in fiscal 2023 from \$23.7 million in fiscal 2022, was mainly due to \$50.9 million of gains recognized related to property sales by two of our Rental Property Joint Ventures and a \$16.0 million gain recognized as the result of the sale of our ownership interest in one of our Rental Property Joint Ventures in fiscal 2023. In the fiscal 2022 period, we recognized a \$21.0 million gain related to a property sale by one of our Rental Property Joint Ventures, lower losses from our Rental Property Joint Ventures of approximately \$14.2 million and increased earnings of approximately \$7.2 million from our Land Development Joint Ventures due to lot sales. In addition, during the fiscal 2022 period, we recognized an other-than-temporary impairment charge on one of our investments in a Rental Property Joint Venture of \$8.0 million. There were no similar other-than-temporary impairment charges in the fiscal 2023 period.

Other Income - Net

The table below provides the components of “Other Income – net” for the years ended October 31, 2023 and 2022 (amounts in thousands):

	2023	2022
Interest income	\$ 35,133	\$ 6,180
Income from ancillary businesses	2,846	24,668
Management fee income earned by home building operations	4,462	7,968
Gain on litigation settlements – net	27,683	141,234
Other	(2,606)	(8,673)
Total other income – net	<u>\$ 67,518</u>	<u>\$ 171,377</u>

The increase in interest income in fiscal 2023, as compared to fiscal 2022, was primarily due to higher interest rates.

The decrease in income from ancillary businesses in fiscal 2023, as compared to fiscal 2022, was principally due to lower earnings from our mortgage operations due to lower volume and increased competition, as well as higher operating losses incurred in our apartment living operations. In addition, fiscal 2022 included a gain of \$9.0 million related to the bulk sale of security monitoring accounts by our smart home technologies business. This was offset by higher income generated in fiscal 2023 from our high-rise urban luxury condominium business operations principally due to property sales of approximately \$4.0 million. In fiscal 2023 and fiscal 2022, we also recognized \$8.4 million and \$0.3 million of write-offs related to previously incurred costs that we believed not to be recoverable in our apartment rental development business operations, respectively.

In fiscal 2023, income from ancillary businesses included management fees earned on our apartment rental development, high-rise urban luxury condominium, and Gibraltar unconsolidated entities and operations totaling \$34.7 million. In fiscal 2022, income from ancillary businesses included management fees earned on our apartment rental development and Gibraltar unconsolidated entities and operations totaling \$25.9 million. Prior to fiscal 2023, management fees earned on our high-rise luxury condominium unconsolidated entities were included in “Management fees earned by home building operations” above.

Management fee income earned by home building operations includes fees earned by our high-rise urban luxury condominium business and home building operations. The increase in fiscal 2023, as compared to fiscal 2022, was primarily related to a decrease in Joint Ventures to which we provide services.

In fiscal 2022, we entered into a \$192.5 million settlement agreement with Southern California Gas Company to resolve our claims associated with a natural gas leak that occurred from October 2015 through February 2016 at the Aliso Canyon underground storage facility located near certain of our communities in southern California. As a result, net of legal fees and expenses, we recorded a pre-tax gain of \$148.4 million, of which \$141.2 million was recorded in Other Income - net in our Consolidated Statements of Operations and Comprehensive Income in fiscal 2022. The remainder was recorded as an offset to previously incurred expenses. The gain on litigation settlements - net in fiscal 2023 primarily relates to the settlement of an insurance claim.

Income Before Income Taxes

In fiscal 2023, we reported income before income taxes of \$1.84 billion, or 18.4% of revenues, as compared to \$1.70 billion, or 16.6% of revenues in fiscal 2022.

Income Tax Provision

We recognized a \$470.3 million income tax provision in fiscal 2023. Based upon the federal statutory rate of 21.0% for fiscal 2023, our federal tax provision would have been \$386.9 million. The difference between the tax provision recognized and the tax provision based on the federal statutory rate was mainly due to the provision for state income taxes of \$90.7 million and a \$2.2 million increase in unrecognized tax benefits, offset, in part, by a benefit of \$7.3 million from excess tax benefits related to

stock-based compensation, \$2.8 million of other permanent differences, and a \$2.3 million benefit of federal energy efficient home credits.

We recognized a \$417.2 million income tax provision in fiscal 2022. Based upon the federal statutory rate of 21.0% for fiscal 2022, our federal tax provision would have been \$357.8 million. The difference between the tax provision recognized and the tax provision based on the federal statutory rate was mainly due to the provision for state income taxes of \$75.5 million and \$4.4 million of other permanent differences, offset, in part, by a \$22.2 million benefit of federal energy efficient home credits; a benefit of \$3.0 million from excess tax benefits related to stock-based compensation; and the reversal of \$1.7 million of previously accrued tax provisions on uncertain tax positions that were no longer necessary due to the expiration of the statute of limitations.

CAPITAL RESOURCES AND LIQUIDITY

Funding for our business has been, and continues to be, provided principally by cash flow from operating activities before inventory additions, credit arrangements with third parties, and the public capital markets.

Our cash flows from operations generally provide us with a significant source of liquidity. Our cash flows provided by operating activities, supplemented with our short-term borrowings and long-term debt, have been sufficient to fund our operations while allowing us to invest in activities that support the long-term growth of our Company. Our primary uses of cash include inventory additions in the form of land acquisitions and deposits to obtain control of land, land development, working capital to fund day-to-day operations, and investments in existing and future unconsolidated joint ventures. We may also use cash to fund capital expenditures such as investments in our information technology systems. From time to time we use some or all of the remaining available cash flow to repay debt, and to fund share repurchases and dividends on our common stock. We believe our sources of cash and liquidity will continue to be adequate to fund operations, finance our strategic operating initiatives, repay debt, fund our share repurchases and pay dividends for the foreseeable future.

At October 31, 2023, we had \$1.30 billion of cash and cash equivalents on hand and approximately \$1.79 billion available for borrowing under our revolving credit facility. On February 14, 2023, we entered into a \$1.905 billion New Revolving Credit Facility with a syndicate of banks that is scheduled to mature on February 14, 2028. The New Revolving Credit Facility replaced the prior \$1.905 billion revolving credit facility, which was terminated in connection with the execution of the new agreement. The New Revolving Credit Facility provides us with a committed borrowing capacity of \$1.905 billion, which we have the ability to increase up to \$3.0 billion with the consent of lenders. The terms of the New Revolving Credit Facility are substantially the same as the prior agreement, except that the LIBOR-based interest rate provisions have been replaced with SOFR-based provisions. Toll Brothers, Inc. and substantially all of its 100%-owned home building subsidiaries are guarantors of the borrower's obligations under the New Revolving Credit Facility. Also on February 14, 2023, we entered into an amendment to the Term Loan Facility to extend the maturity date of \$487.5 million of outstanding term loans to February 14, 2028, with \$60.9 million due on November 1, 2026 and the remaining \$101.6 million due on November 1, 2025.

Short-term Liquidity and Capital Resources

For at least the next twelve months, we expect our principal demand for funds will be for inventory additions (in the form of land acquisition, land development, home construction costs, and deposits to control land), operating expenses, including our general and administrative expenses, investments and funding of capital improvements, investments in existing and future unconsolidated joint ventures, community level debt repayment, common stock repurchases, and dividend payments. Demand for funds include interest and principal payments on current and future debt financing. We expect to meet our short-term liquidity requirements primarily through our cash and cash equivalents on hand and net cash flows provided by operations. Additional sources of funds include distributions from our unconsolidated joint ventures, borrowing capacity under our New Revolving Credit Facility and borrowings from banks and other lenders.

We believe we will have sufficient liquidity available to fund our business needs, commitments and contractual obligations in a timely manner for the next twelve months. We may, however, seek additional financing to fund future growth or refinance our existing indebtedness through the debt capital markets, but we cannot be assured that such financing will be available on favorable terms, or at all.

Long-term Liquidity and Capital Resources

Beyond the next twelve months, our principal demands for funds will be for the payments of the principal amount of our long-term debt as it becomes due or matures, land purchases and inventory additions needed to grow our business, long-term capital investments and investments in unconsolidated joint ventures, common stock repurchases, and dividend payments.

Over the longer term, to the extent the sources of capital described above are insufficient to meet our needs, we may also conduct additional public offerings of our securities, refinance debt or dispose of certain assets to fund our operating activities

and debt service. We expect these resources will be adequate to fund our ongoing operating activities as well as provide capital for investment in future land purchases and related development activities and future joint ventures.

Material Cash Requirements

We are a party to many agreements that include contractual obligations and commitments to make payments to third parties. These obligations impact our short-term and long-term liquidity and capital resource needs. Certain contractual obligations are reflected on the Consolidated Balance Sheet as of October 31, 2023, while others are considered future commitments. Our contractual obligations primarily consist of long-term debt and related interest payments, payments due on our mortgage company loan facility, purchase obligations related to expected acquisition of land under purchase agreements and land development agreements (many of which are secured by letters of credit or surety bonds), operating leases, obligations under our deferred compensation plan, and obligations under our supplemental executive retirement plans. We also enter into certain short-term lease commitments, commitments to fund our existing or future unconsolidated joint ventures, letters of credit and other purchase obligations in the normal course of business. For more information regarding our primary obligations, refer to Note 6, “Loans Payable, Senior Notes, and Mortgage Company Loan Facility,” and Note 15, “Commitments and Contingencies,” to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for amounts outstanding as of October 31, 2023, related to debt and commitments and contingencies, respectively.

We also operate through a number of joint ventures and have undertaken various commitments as a result of those arrangements. At October 31, 2023, we had investments in these entities of \$959.0 million, and were committed to invest or advance up to an additional \$400.8 million to these entities if they require additional funding. At October 31, 2023, we had agreed to terms for the acquisition of 332 home sites from three joint ventures for an estimated aggregate purchase price of \$31.5 million. In addition, we expect to purchase approximately 8,200 additional home sites over a number of years from several joint ventures in which we have interests. The purchase price of these home sites will be determined at a future date.

The unconsolidated joint ventures in which we have investments generally finance their activities with a combination of partner equity and debt financing. In some instances, we and our joint venture partner have guaranteed debt of unconsolidated entities. These guarantees may include any or all of the following: (i) project completion guarantees, including any cost overruns; (ii) repayment guarantees, generally covering a percentage of the outstanding loan; (iii) carry cost guarantees, which cover costs such as interest, real estate taxes, and insurance; (iv) an environmental indemnity provided to the lender that holds the lender harmless from and against losses arising from the discharge of hazardous materials from the property and non-compliance with applicable environmental laws; and (v) indemnification of the lender from “bad boy acts” of the unconsolidated entity.

In these situations where we have joint and several guarantees with our joint venture partner, we generally seek to implement a reimbursement agreement with our partner that provides that neither party is responsible for more than its proportionate share or agreed-upon share of the guarantee; however, we are not always successful. In addition, if the joint venture partner does not have adequate financial resources to meet its obligations under such a reimbursement agreement, we may be liable for more than our proportionate share. We believe that, as of October 31, 2023, in the event we become legally obligated to perform under a guarantee of the obligation of an unconsolidated entity due to a triggering event, the collateral in such entity should be sufficient to repay all or a significant portion of the obligation. If it is not, we and our partners would need to contribute additional capital to the entity. At October 31, 2023, we had guaranteed the debt of certain unconsolidated entities that have loan commitments aggregating \$3.34 billion, of which, if the full amount of the debt obligations were borrowed, we estimate \$688.0 million to be our maximum exposure related to repayment and carry cost guarantees. At October 31, 2023, the unconsolidated entities had borrowed an aggregate of \$1.64 billion, of which we estimate \$544.1 million to be our maximum exposure related to repayment and carry cost guarantees. The terms of these guarantees generally range from 1 month to 4.0 years. These maximum exposure estimates do not take into account any recoveries from the underlying collateral or any reimbursement from our partners, nor do they include any potential exposures related to project completion guarantees or the indemnities noted above, which are not estimable.

For more information regarding these joint ventures, see Note 4, “Investments in Unconsolidated Entities” in the Notes to Consolidated Financial Statements in Item 15(a)1 of this Form 10-K.

Debt Service Requirements

Our financing strategy is to ensure liquidity and access to capital markets, to maintain a balanced profile of debt maturities, and to manage our exposure to floating interest rate volatility.

Outside of the normal course of operations, one of our principal liquidity needs is the payment of principal and interest on outstanding indebtedness. We are required by the terms of certain loan documents to meet certain covenants, such as financial ratios and reporting requirements. As of October 31, 2023, we were in compliance with all such covenants and requirements on our term loan, credit facility and other loans payable. Refer to Note 6, “Loans Payable, Senior Notes, and Mortgage Company

Loan Facility” in the Notes to the Consolidated Financial Statements in Item 15(a)1 of this Form 10-K for additional information.

Operating Activities

Cash provided by operating activities during fiscal 2023 was \$1.27 billion. Cash provided by operating activities was generated primarily from: (1) \$1.37 billion of net income plus the following non-cash activities: \$76.5 million of depreciation and amortization, \$69.5 million of impairments and write-offs, \$24.8 million of stock-based compensation, \$38.3 million of cash received, net of income earned, from unconsolidated entities; and a net deferred tax benefit of \$36.2 million and (2) \$78.9 million in mortgage loan sales, net of originations. This activity was offset, in part, by a decrease of \$162.6 million in current income taxes, net; an increase of \$135.9 million in receivables, prepaid assets, and other assets; a decrease of \$88.3 million in net customer deposits; a decrease of \$23.7 million in accounts payable and accrued expenses; and an increase of \$22.2 million in inventory.

Cash provided by operating activities during fiscal 2022 was \$986.8 million. Cash provided by operating activities was generated primarily from: (1) \$1.29 billion of net income plus the following non-cash activities: \$76.8 million of depreciation and amortization, \$39.5 million of impairments and write-offs, \$21.1 million of stock-based compensation, \$8.6 million of cash received, net of income earned, from unconsolidated entities; offset by a net deferred tax benefit of \$96.7 million and (2) an increase of \$152.5 million in accounts payable and accrued expenses; an increase of \$160.5 million in current income taxes, net; and an increase of \$50.7 million in mortgage loan sales, net of originations. This activity was offset, in part, by an increase of \$618.8 million in inventory, and a decrease of \$95.0 million in receivables, prepaid assets, and other assets.

Investing Activities

Cash used in investing activities during fiscal 2023 was \$150.6 million, primarily related to \$216.4 million used to fund our investments in unconsolidated entities and \$73.0 million for the purchase of property and equipment. This activity was offset, in part, by \$112.7 million of cash received as returns from our investments in unconsolidated entities and \$26.0 million of cash proceeds from the sale of assets, including ownership interests in unconsolidated entities.

Cash used in investing activities during fiscal 2022 was \$153.2 million, primarily related to \$226.7 million used to fund our investments in unconsolidated entities and \$71.7 million for the purchase of property and equipment. This activity was offset, in part, by \$116.8 million of cash received as returns from our investments in unconsolidated entities and \$28.3 million of cash proceeds from the sale of assets.

Financing Activities

We used \$1.17 billion of cash from financing activities in fiscal 2023, primarily for the repurchase of \$561.6 million of our common stock; the redemption of \$400.0 million of senior notes; payments of \$160.3 million of loans payable, net of new borrowings; the payment of dividends on our common stock of \$91.1 million and \$5.4 million of payments for debt issuance costs. This activity was offset by \$48.3 million of proceeds from stock-based benefit plans.

We used \$1.12 billion of cash from financing activities in fiscal 2022, primarily for the repurchase of \$542.7 million of our common stock; the redemption of \$409.9 million of senior notes; payments of \$51.6 million of loans payable, net of new borrowings; the payment of dividends on our common stock of \$88.9 million and payments related to noncontrolling interest - net of \$25.8 million.

INFLATION

The long-term impact of inflation on us is manifested in increased costs for land, land development, construction, and overhead. We generally enter into contracts to acquire land a significant period of time before development and sales efforts begin. Accordingly, to the extent land acquisition costs are fixed, subsequent increases or decreases in the sales prices of homes will affect our profits. Because the sales price of each of our homes is fixed at the time a buyer enters into a contract to purchase a home and because we contract to sell a majority of our homes before we begin construction, any inflation of costs in excess of those anticipated may result in lower gross margins. We generally attempt to minimize that effect by entering into fixed-price contracts with our subcontractors and material suppliers for specified periods of time, which generally do not exceed one year.

In general, housing demand is adversely affected by increases in interest rates and housing costs. Additionally, interest rates, the length of time that land remains in inventory, and the proportion of inventory that is financed affect our interest costs. If we are unable to raise sales prices enough to compensate for higher costs, or if mortgage rates increase significantly, affecting prospective buyers' ability to adequately finance home purchases, our home sales revenues, gross margins, and net income could be adversely affected. Increases in sales prices, whether the result of inflation or demand, may affect the ability of prospective buyers to afford new homes.

SUPPLEMENTAL GUARANTOR INFORMATION

At October 31, 2023, our 100%-owned subsidiary, Toll Brothers Finance Corp. (the “Subsidiary Issuer”), had issued and outstanding \$1.60 billion aggregate principal amount of senior notes maturing on various dates between November 15, 2025 and November 1, 2029 (the “Senior Notes”). For further information regarding the Senior Notes, see Note 6 to our Consolidated Financial Statements under the caption “Senior Notes.”

The obligations of the Subsidiary Issuer to pay principal, premiums, if any, and interest are guaranteed jointly and severally on a senior basis by Toll Brothers, Inc. and substantially all of its 100%-owned home building subsidiaries (the “Guarantor Subsidiaries” and, together with us, the “Guarantors”). The guarantees are full and unconditional, and the Subsidiary Issuer and each of the Guarantor Subsidiaries are consolidated subsidiaries of Toll Brothers, Inc. Our non-home building subsidiaries and several of our home building subsidiaries (together, the “Non-Guarantor Subsidiaries”) do not guarantee the Senior Notes. The Subsidiary Issuer generates no operating revenues and does not have any independent operations other than the financing of our other subsidiaries by lending the proceeds of its public debt offerings, including the Senior Notes. Our home building operations are conducted almost entirely through the Guarantor Subsidiaries. Accordingly, the Subsidiary Issuer’s cash flow and ability to service the Senior Notes is dependent upon the earnings of the Company’s subsidiaries and the distribution of those earnings to the Subsidiary Issuer, whether by dividends, loans or otherwise. Holders of the Senior Notes have a direct claim only against the Subsidiary Issuer and the Guarantors. The obligations of the Guarantors under their guarantees will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference or similar laws affecting the rights of creditors generally) under applicable law.

The indentures under which the Senior Notes were issued provide that any of our subsidiaries that provide a guarantee of our obligations under the New Revolving Credit Facility will guarantee the Senior Notes. The indentures further provide that any Guarantor Subsidiary may be released from its guarantee so long as (i) no default or event of default exists or would result from release of such guarantee; (ii) the Guarantor Subsidiary being released has consolidated net worth of less than 5% of the Company’s consolidated net worth as of the end of our most recent fiscal quarter; (iii) the Guarantor Subsidiaries released from their guarantees in any fiscal year comprise in the aggregate less than 10% (or 15% if and to the extent necessary to permit the cure of a default) of our consolidated net worth as of the end of our most recent fiscal quarter; (iv) such release would not have a material adverse effect on ours and our subsidiaries’ home building business; and (v) the Guarantor Subsidiary is released from its guaranty under the New Revolving Credit Facility. If there are no guarantors under the New Revolving Credit Facility, all Guarantor Subsidiaries under the indentures will be released from their guarantees.

The following summarized financial information is presented for Toll Brothers, Inc., the Subsidiary Issuer, and the Guarantor Subsidiaries on a combined basis after intercompany transactions and balances have been eliminated among Toll Brothers, Inc., the Subsidiary Issuer and the Guarantor Subsidiaries, as well as their investment in, and equity in earnings from the Non-Guarantor Subsidiaries.

Summarized Balance Sheet Data (amounts in millions)

	October 31, 2023
Assets	
Cash	\$ 1,137.4
Inventory	\$ 8,911.0
Amount due from Non-Guarantor Subsidiaries	\$ 660.1
Total assets	\$ 11,460.8
Liabilities & Stockholders' Equity	
Loans payable	\$ 1,091.6
Senior notes	\$ 1,596.2
Total liabilities	\$ 5,106.7
Stockholders' equity	\$ 6,354.1

Summarized Statement of Operations Data (amounts in millions)

	For the year ended October 31, 2023
Revenues	\$ 9,764.9
Cost of revenues	\$ 7,175.8
Selling, general and administrative	\$ 904.1
Income before income taxes	\$ 1,722.1
Net income	\$ 1,282.5

SEGMENTS

We operate in five geographic segments, with current operations generally located in the states listed below:

Eastern Region:

- The **North** region: Connecticut, Delaware, Illinois, Massachusetts, Michigan, New Jersey, New York and Pennsylvania;
- The **Mid-Atlantic** region: Georgia, Maryland, North Carolina, Tennessee and Virginia;
- The **South** region: Florida, South Carolina and Texas;

Western Region:

- The **Mountain** region: Arizona, Colorado, Idaho, Nevada and Utah; and
- The **Pacific** region: California, Oregon and Washington.

Our geographic reporting segments are consistent with how our chief operating decision makers are assessing operating performance and allocating capital. The following tables summarize information related to revenues, net contracts signed, and income (loss) before income taxes by segment for fiscal years 2023 and 2022. Information related to backlog and assets by segment at October 31, 2023 and 2022 has also been provided.

Units Delivered and Revenues:

	Fiscal 2023 Compared to Fiscal 2022								
	Revenues (\$ in millions)			Units Delivered			Average Delivered Price (\$ in thousands)		
	2023	2022	% Change	2023	2022	% Change	2023	2022	% Change
North	\$ 1,494.1	\$ 1,853.7	(19)%	1,577	2,163	(27)%	\$ 947.4	\$ 857.0	11 %
Mid-Atlantic	1,175.3	1,149.0	2 %	1,067	1,222	(13)%	\$ 1,101.5	\$ 940.3	17 %
South	2,204.8	1,519.6	45 %	2,597	2,033	28 %	\$ 849.0	\$ 747.5	14 %
Mountain	2,660.7	2,747.8	(3)%	2,897	3,366	(14)%	\$ 918.4	\$ 816.3	13 %
Pacific	2,329.4	2,442.0	(5)%	1,459	1,731	(16)%	\$ 1,596.6	\$ 1,410.7	13 %
Total home building	9,864.3	9,712.1	2 %	9,597	10,515	(9)%	\$ 1,027.9	\$ 923.6	11 %
Other	1.7	(0.9)							
Total home sales revenue	9,866.0	9,711.2	2 %	9,597	10,515	(9)%	\$ 1,028.0	\$ 923.6	11 %
Land sales and other revenue	128.9	564.4							
Total revenue	<u>\$ 9,994.9</u>	<u>\$ 10,275.6</u>							

Net Contracts Signed:

	Fiscal 2023 Compared to Fiscal 2022								
	Net Contract Value (\$ in millions)			Net Contracted Units			Average Contracted Price (\$ in thousands)		
	2023	2022	% Change	2023	2022	% Change	2023	2022	% Change
North	\$ 1,336.9	\$ 1,534.7	(13)%	1,411	1,596	(12)%	\$ 947.5	\$ 961.6	(1)%
Mid-Atlantic	1,165.5	1,105.4	5 %	1,170	1,012	16 %	\$ 996.2	\$ 1,092.3	(9)%
South	1,938.3	1,838.3	5 %	2,386	1,981	20 %	\$ 812.4	\$ 928.0	(12)%
Mountain	1,633.1	2,319.7	(30)%	1,950	2,292	(15)%	\$ 837.5	\$ 1,012.1	(17)%
Pacific	1,834.0	2,269.3	(19)%	1,160	1,374	(16)%	\$ 1,581.0	\$ 1,651.6	(4)%
Total consolidated	<u>\$ 7,907.8</u>	<u>\$ 9,067.4</u>	(13)%	<u>8,077</u>	<u>8,255</u>	(2)%	\$ 979.1	\$ 1,098.4	(11)%

Backlog at October 31:

	October 31, 2023 Compared to October 31, 2022								
	Backlog Value (\$ in millions)			Backlog Units			Average Backlog Price (\$ in thousands)		
	2023	2022	% Change	2023	2022	% Change	2023	2022	% Change
North	\$ 964.1	\$1,119.5	(14)%	956	1,122	(15)%	\$1,008.5	\$ 997.8	1 %
Mid-Atlantic	953.0	960.5	(1)%	945	842	12 %	\$1,008.4	\$1,140.7	(12)%
South	2,093.4	2,352.5	(11)%	2,312	2,523	(8)%	\$ 905.5	\$ 932.4	(3)%
Mountain	1,577.7	2,597.3	(39)%	1,577	2,524	(38)%	\$1,000.5	\$1,029.0	(3)%
Pacific	1,357.1	1,844.3	(26)%	788	1,087	(28)%	\$1,722.2	\$1,696.7	2 %
Total consolidated	<u>\$6,945.3</u>	<u>\$8,874.1</u>	(22)%	<u>6,578</u>	<u>8,098</u>	(19)%	\$1,055.8	\$1,095.8	(4)%

Income (Loss) Before Income Taxes (\$ amounts in millions):

	2023	2022	% Change 2023 vs 2022
North	\$ 197.4	\$ 280.8	(30)%
Mid-Atlantic	243.5	189.5	28 %
South	416.7	249.7	67 %
Mountain	517.1	509.5	1 %
Pacific	610.1	572.8	7 %
Total home building	1,984.8	1,802.3	10 %
Corporate and other	(142.4)	(98.6)	(44)%
Total consolidated	<u>\$ 1,842.4</u>	<u>\$ 1,703.7</u>	8 %

“Corporate and other” is comprised principally of general corporate expenses such as our executive offices; the corporate finance, accounting, audit, tax, human resources, risk management, information technology, marketing, and legal groups; interest income; income from certain of our ancillary businesses, including our apartment rental development business and our high-rise urban luxury condominium operations; and income from our Rental Property Joint Ventures and Gibraltar Joint Ventures.

Total Assets (\$ amounts in millions):

	At October 31,	
	2023	2022
North	\$ 1,281.4	\$ 1,465.0
Mid-Atlantic	1,323.4	1,049.0
South	2,399.1	2,137.6
Mountain	2,666.9	2,785.6
Pacific	2,175.8	2,174.1
Total home building	9,846.6	9,611.3
Corporate and other	2,680.4	2,677.4
Total consolidated	<u>\$ 12,527.0</u>	<u>\$ 12,288.7</u>

“Corporate and other” is comprised principally of cash and cash equivalents, restricted cash, investments in our Rental Property Joint Ventures, expected recoveries from insurance carriers and suppliers, our Gibraltar investments and operations, manufacturing facilities, our apartment rental development and high-rise urban luxury condominium operations, and our mortgage and title subsidiaries.

A discussion and analysis regarding our Segments' Results of Operations and Analysis of Financial Condition for the year ended October 31, 2022, as compared to the year ended October 31, 2021 is included in Part II, Item 7, "MD&A" to our Annual Report on Form 10-K for the fiscal year ended October 31, 2022, filed with the SEC on December 19, 2022.

FISCAL 2023 COMPARED TO FISCAL 2022

North

	Year ended October 31,		
	2023	2022	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues (\$ in millions)	\$ 1,494.1	\$ 1,853.7	(19)%
Units delivered	1,577	2,163	(27)%
Average delivered price (\$ in thousands)	\$ 947.4	\$ 857.0	11 %
Net Contracts Signed:			
Net contract value (\$ in millions)	\$ 1,336.9	\$ 1,534.7	(13)%
Net contracted units	1,411	1,596	(12)%
Average contracted price (\$ in thousands)	\$ 947.5	\$ 961.6	(1)%
Home sales cost of revenues as a percentage of home sales revenues	79.4 %	77.6 %	
Income before income taxes (\$ in millions)	\$ 197.4	\$ 280.8	(30)%
Number of selling communities at October 31,	40	53	(25)%

The decrease in the number of homes delivered in fiscal 2023 was mainly due to a decrease in the number of homes in backlog at October 31, 2022, as compared to the number of homes in backlog at October 31, 2021, partially offset by higher backlog conversion and an increase in the number of quick move-in homes delivered in fiscal 2023. The increase in the average price of homes delivered in fiscal 2023 was principally due to sales price increases and a shift in the number of homes delivered to more expensive areas and/or products.

The decrease in the number of net contracts signed in fiscal 2023, as compared to fiscal 2022, was principally due to a decrease in the number of selling communities, offset, in part, by an increase in demand in fiscal 2023. The decrease in the average value of each contract signed in fiscal 2023, as compared to fiscal 2022, was mainly due to shifts in the number of contracts signed to less expensive areas and/or products and an increase in average sales incentives.

The decrease in income before income taxes in fiscal 2023 was principally attributable to lower earnings from decreased revenues and higher home sales cost of revenues, as a percentage of home sales revenues, partially offset by decreased variable SG&A spend on lower revenues. The increase in home sales costs of revenues, as a percentage of home sale revenues, in fiscal 2023 was primarily due to a shift in product mix/areas to lower-margin areas, offset, in part, by lower interest costs as a percentage of home sales revenue and decreased inventory impairment charges.

Inventory impairment charges were \$0.7 million in fiscal 2023, as compared to \$11.9 million in fiscal 2022. In fiscal 2022, we decided to sell a parcel in Philadelphia, Pennsylvania. In connection with this planned sale, we recognized an inventory impairment charge of \$10.3 million. In addition, we recognized \$15.6 million of land impairment charges, included in land sales and other cost of revenues in fiscal 2023 in connection with planned land sales compared to \$6.8 million in fiscal 2022.

Mid-Atlantic

	Year ended October 31,		
	2023	2022	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues (\$ in millions)	\$ 1,175.3	\$ 1,149.0	2 %
Units delivered	1,067	1,222	(13)%
Average delivered price (\$ in thousands)	\$ 1,101.5	\$ 940.3	17 %
Net Contracts Signed:			
Net contract value (\$ in millions)	\$ 1,165.5	\$ 1,105.4	5 %
Net contracted units	1,170	1,012	16 %
Average contracted price (\$ in thousands)	\$ 996.2	\$ 1,092.3	(9)%
Home sales cost of revenues as a percentage of home sales revenues	71.9 %	76.1 %	
Income before income taxes (\$ in millions)	\$ 243.5	\$ 189.5	28 %
Number of selling communities at October 31,	43	40	8 %

The decrease in the number of homes delivered in fiscal 2023, as compared to fiscal 2022, was mainly due to a decrease in the number of homes in backlog at October 31, 2022, as compared to the number of homes in backlog at October 31, 2021, partially offset by a higher backlog conversion and an increase in the number of quick move-in homes delivered in fiscal 2023. The increase in the average delivered price in fiscal 2023 was primarily due a shift in the number of homes delivered to more expensive areas and/or products, as well as sales price increases.

The increase in the number of net contracts signed in fiscal 2023, as compared to fiscal 2022, was principally due to an increase in the number of selling communities coupled with an increase in demand in fiscal 2023. The decrease in the average value of each contract signed in fiscal 2023 was primarily due to shifts in the number of contracts signed to less expensive areas and/or products, as well as an increase in average sales incentives in fiscal 2023.

The increase in income before income taxes in fiscal 2023, as compared to fiscal 2022, was mainly due to higher earnings from increased revenues, coupled with lower home sales costs of revenues, as a percentage of home sale revenues and lower SG&A spend. The decrease in home sales costs of revenues, as a percentage of home sale revenues, in fiscal 2023 was primarily due to a shift in product mix/areas to higher-margin areas and lower interest costs as a percentage of home sales revenue, partially offset by higher inventory impairment charges.

Inventory impairment charges were \$15.9 million and \$3.4 million in fiscal 2023 and 2022, respectively. In addition, we recognized a \$10.3 million land impairment charge, included in land sales and other cost of revenues in fiscal 2023 in connection with a planned land sale. No similar charges were recognized in fiscal 2022.

South

	Year ended October 31,		
	2023	2022	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues (\$ in millions)	\$ 2,204.8	\$ 1,519.6	45 %
Units delivered	2,597	2,033	28 %
Average delivered price (\$ in thousands)	\$ 849.0	\$ 747.5	14 %
Net Contracts Signed:			
Net contract value (\$ in millions)	\$ 1,938.3	\$ 1,838.3	5 %
Net contracted units	2,386	1,981	20 %
Average contracted price (\$ in thousands)	\$ 812.4	\$ 928.0	(12)%
Home sales cost of revenues as a percentage of home sales revenues	73.5 %	75.6 %	
Income before income taxes (\$ in millions)	\$ 416.7	\$ 249.7	67 %
Number of selling communities at October 31,	115	99	16 %

The increase in the number of homes delivered in fiscal 2023, as compared to fiscal 2022, was mainly due to a higher backlog conversion in fiscal 2023, an increase in the number of homes in backlog at October 31, 2022, as compared to the number of homes in backlog at October 31, 2021, and an increase in the number of quick move-in homes delivered. The increase in the average delivered price in fiscal 2023 was primarily due to a shift in the number of homes delivered to more expensive areas and/or products, as well as sales price increases.

The increase in the number of net contracts signed in fiscal 2023, as compared to fiscal 2022, was principally due to an increase in the number of selling communities in fiscal 2023. The decrease in the average value of each contract signed in the fiscal 2023 period was primarily due to a shift in the number of contracts signed to less expensive areas and/or products and an increase in average sales incentives in fiscal 2023.

The increase in income before income taxes in fiscal 2023, as compared to fiscal 2022, was principally due to higher earnings from increased home sales revenues and lower home sales costs of revenues, as a percentage of home sales revenues, offset, in part, by higher SG&A costs resulting from increased sales volume. The decrease in home sales cost of revenues, as a percentage of home sales revenues, was mainly due to a shift in product mix/areas to higher-margin areas, lower interest costs as a percentage of home sales revenue and lower inventory impairment changes in fiscal 2023. Inventory impairment charges were \$1.8 million and \$3.4 million in fiscal 2023 and 2022, respectively.

Mountain

	Year ended October 31,		
	2023	2022	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues (\$ in millions)	\$ 2,660.7	\$ 2,747.8	(3)%
Units delivered	2,897	3,366	(14)%
Average delivered price (\$ in thousands)	\$ 918.4	\$ 816.3	13 %
Net Contracts Signed:			
Net contract value (\$ in millions)	\$ 1,633.1	\$ 2,319.7	(30)%
Net contracted units	1,950	2,292	(15)%
Average contracted price (\$ in thousands)	\$ 837.5	\$ 1,012.1	(17)%
Home sales cost of revenues as a percentage of home sales revenues	74.0 %	74.6 %	
Income before income taxes (\$ in millions)	\$ 517.1	\$ 509.5	1 %
Number of selling communities at October 31,	120	113	6 %

The decrease in the number of homes delivered in fiscal 2023, as compared to fiscal 2022, was mainly due to a decrease in the number of homes in backlog at October 31, 2022, as compared to the number of homes in backlog at October 31, 2021, partially offset by higher backlog conversion and an increase in the number of quick move-in homes delivered in fiscal 2023. The increase in the average price of homes delivered in fiscal 2023 was primarily due to a shift in the number of homes delivered to more expensive areas and/or products and sales price increases.

The decrease in the number of net contracts signed in fiscal 2023, as compared to fiscal 2022, was principally due to a weakening in demand in fiscal 2023, offset, in part, by an increase in the number of selling communities. The decrease in the average value of each contract signed in fiscal 2023 was mainly due to shifts in the number of contracts signed to less expensive areas and/or products and an increase in average sales incentives.

The increase in income before income taxes in fiscal 2023, as compared to fiscal 2022, was mainly due lower home sales cost of revenues, as a percentage of home sales revenues, and reduced SG&A resulting from decreased volume. The decrease in home sales cost of revenues, as a percentage of home sales revenues, was primarily due to a shift in product mix/areas to higher-margin areas, partially offset by higher interest costs and inventory impairment charges. Inventory impairment charges were \$5.7 million and \$4.1 million in fiscal 2023 and 2022, respectively.

Pacific

	Year ended October 31,		
	2023	2022	% Change
Units Delivered and Home Sales Revenues:			
Home sales revenues (\$ in millions)	\$ 2,329.4	\$ 2,442.0	(5)%
Units delivered	1,459	1,731	(16)%
Average delivered price (\$ in thousands)	\$ 1,596.6	\$ 1,410.7	13 %
Net Contracts Signed:			
Net contract value (\$ in millions)	\$ 1,834.0	\$ 2,269.3	(19)%
Net contracted units	1,160	1,374	(16)%
Average contracted price (\$ in thousands)	\$ 1,581.0	\$ 1,651.6	(4)%
Home sales cost of revenues as a percentage of home sales revenues	67.9 %	70.5 %	
Income before income taxes (\$ in millions)	610.1	572.8	7 %
Number of selling communities at October 31,	52	43	21 %

The decrease in the number of homes delivered in fiscal 2023, as compared to fiscal 2022, was mainly due to a decrease in the number of homes in backlog at October 31, 2022, as compared to the number of homes in backlog at October 31, 2021, partially offset by higher backlog conversion and an increase in the number of quick move-in homes delivered in fiscal 2023. The increase in the average price of homes delivered in fiscal 2023 was primarily due to increases in sales prices.

The decrease in the number of net contracts signed in fiscal 2023, as compared to fiscal 2022, was principally due to a weakening in demand in fiscal 2023, partially offset by an increase in the number of selling communities. The decrease in the average value of each contract signed in fiscal 2023 was mainly due to a shift in the number of contracts signed in less expensive areas and an increase in average sales incentives.

The increase in income before income taxes in fiscal 2023, as compared to fiscal 2022, was primarily due to lower home sales cost of revenues, as a percentage of home sales revenues, and reduced SG&A resulting from decreased volume. The decrease in home sales cost of revenues, as a percentage of home sales revenues, was primarily due to a shift in product mix/areas to higher-margin areas, lower interest costs and a decrease in inventory impairment charges. Inventory impairment charges were \$6.7 million and \$10.0 million in fiscal 2023 and 2022, respectively. During the fourth quarter of fiscal 2022, we decided to sell a land parcel in California. In connection with this planned sale, we recognized an impairment charge of \$5.6 million. In addition, we recognized a \$2.2 million land impairment charge, included in land sales and other cost of revenues in fiscal 2023 in connection with a planned land sale. No similar charges were recognized in fiscal 2022.

Corporate and Other

In fiscal 2023 and 2022, loss before income taxes was \$142.4 million and \$98.6 million, respectively. The increase in the loss before income taxes in fiscal 2023 was principally attributable to a favorable litigation settlement in fiscal 2022. As a result of the settlement, net of legal fees and expenses, we recorded a pre-tax gain of \$148.4 million, of which \$141.2 million was recorded in Other Income - net in our Consolidated Statements of Operations and Comprehensive Income in fiscal 2022. The remainder was recorded as an offset to previously incurred expenses. Coincident with this settlement, we made a charitable contribution of \$10.0 million to the Toll Brothers Foundation, which was recorded in Selling, general and administrative in our Consolidated Statements of Operations and Comprehensive Income in fiscal 2022. During fiscal 2022, we also recognized a \$21.0 million gain related to a property sale by one of our Rental Property Joint Ventures and a \$9.0 million gain related to the bulk sale of security monitoring accounts by our smart home technology business. In addition, fiscal 2023 was impacted by lower earnings from our mortgage and our apartment living operations and a \$2.5 million land impairment charge, included in land sales and other cost of revenues, in connection with a planned land sale. These increases were offset by lower SG&A costs as a result of decreased headcount, \$50.9 million in gain recognized from property sales by two of our Rental Property Joint Ventures, \$27.7 million of gains from litigation settlements-net recognized, a \$16.0 million gain as a result of the sale of our ownership interest in one of our Rental Property Joint Ventures and an increase in interest income due to higher interest rates in fiscal 2023.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk primarily due to fluctuations in interest rates. We incur both fixed-rate and variable-rate debt. For fixed-rate debt, changes in interest rates generally affect the fair market value of the debt instrument, but not our earnings or cash flow. Conversely, for variable-rate debt, changes in interest rates generally do not affect the fair market value of the debt instrument, but do affect our earnings and cash flow. We do not have the obligation to prepay fixed-rate debt prior to maturity, and, as a result, interest rate risk and changes in fair market value should not have a significant impact on our fixed-rate debt until we are required or elect to refinance it.

The following table shows our debt obligations by scheduled maturity, weighted-average interest rates, and estimated fair value as of October 31, 2023 (\$ amounts in thousands):

Fiscal year of maturity	Fixed-rate debt		Variable-rate debt ^(a)	
	Amount	Weighted-average interest rate (%)	Amount	Weighted-average interest rate (%)
2024	\$ 215,925	4.61%	\$ 101,668	7.10%
2025	123,930	5.48%	—	
2026	434,787	5.12%	101,562	6.20%
2027	468,861	4.83%	60,938	6.20%
2028	407,890	4.30%	—	
Thereafter ^(b)	464,374	3.76%	487,500	6.20%
Bond discounts, premiums, and deferred issuance costs - net	(6,968)		—	
Total	<u>\$ 2,108,799</u>	4.57%	<u>\$ 751,668</u>	6.32%
Fair value at October 31, 2023	<u>\$ 1,980,314</u>		<u>\$ 751,668</u>	

- (a) Based upon the amount of variable-rate debt outstanding at October 31, 2023, and holding the variable-rate debt balance constant, each 1% increase in interest rates would increase the interest incurred by us by approximately \$7.5 million per year, without consideration of the Company's interest rate swap transactions.
- (b) In November 2020, we entered into five interest rate swap transactions to hedge \$400.0 million of the \$650.0 million Term Loan Facility, which is included in the variable-rate debt column in the table above. The interest rate swaps effectively fix the interest cost on the \$400.0 million at 0.369% plus the spread set forth in the pricing schedule in the Term Loan Facility through October 2025. The spread was 0.90% as of October 31, 2023. These interest rate swaps were designated as cash flow hedges.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements, listed in Item 15(a)(1) beginning on page F-1 of this report are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Any controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected; however, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives.

Our Chief Executive Officer and Chief Financial Officer, with the assistance of management, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (“Exchange Act”), as of the end of the period covered by this report (“Evaluation Date”). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control Over Financial Reporting and Attestation Report of the Independent Registered Public Accounting Firm

Management’s Annual Report on Internal Control Over Financial Reporting and the attestation report of our independent registered public accounting firm on internal control over financial reporting on pages F-1 and F-2, respectively, are incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

We are in the process of a complex implementation of a new ERP system that affects many of our financial processes. This project is expected to improve the efficiency and effectiveness of certain financial and business transaction processes, as well as the underlying systems environment. The new ERP system will be a significant component of our internal control over financial reporting. Other than the ERP system implementation noted above, there has not been any change in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our quarter ended October 31, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. For a discussion of risks related to the implementation of our new ERP system, see “Risk Factors - Risks Related to Our Business and Industry - We are implementing a new enterprise resource planning system, and challenges with the implementation of the system may impact our business and operations.”

ITEM 9B. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During the period covered by this Annual Report on Form 10-K, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table includes information with respect to all persons serving as executive officers as of the date of this Form 10-K. All executive officers serve at the pleasure of our Board of Directors.

Name	Age	Positions
Douglas C. Yearley, Jr.	63	Chairman of the Board and Chief Executive Officer
Robert Parahus	60	President and Chief Operating Officer
Martin P. Connor	59	Senior Vice President and Chief Financial Officer

Douglas C. Yearley, Jr. joined us in 1990 as assistant to the Chief Executive Officer with responsibility for land acquisitions. He has been an officer since 1994, holding the position of Senior Vice President from January 2002 until November 2005, the position of Regional President from November 2005 until November 2009, and the position of Executive Vice President from November 2009 until June 2010, when he was promoted to Chief Executive Officer. On November 1, 2018, he was appointed to the position of Chairman of the Board and Chief Executive Officer. Mr. Yearley was elected a Director in June 2010.

Robert Parahus joined us in 1986 and served in various positions with us, including Regional President from 2006 through October 31, 2019. During this time, he oversaw the Company's home building operations in New Jersey, New York, Connecticut, Massachusetts, and Florida, and had oversight responsibility for Toll Integrated Systems, the Company's building component manufacturing operations. He was appointed to the position of Executive Vice President and Co-Chief Operating Officer effective November 1, 2019, with responsibility for the Company's eastern region. Effective November 1, 2021, Mr. Parahus was promoted to President and Chief Operating Officer.

Martin P. Connor joined us as Vice President and Assistant Chief Financial Officer in December 2008 and was appointed a Senior Vice President in December 2009. Mr. Connor was appointed to his current position of Senior Vice President and Chief Financial Officer in September 2010. From June 2008 to December 2008, Mr. Connor was President of Marcon Advisors LLC, a finance and accounting consulting firm that he founded. From October 2006 to June 2008, Mr. Connor was Chief Financial Officer and Director of Operations for O'Neill Properties, a diversified commercial real estate developer in the Mid-Atlantic area. Prior to October 2006, he spent over 20 years at Ernst & Young LLP as an Audit and Advisory Business Services Partner, responsible for the real estate practice for Ernst & Young LLP in the Philadelphia marketplace. During the period from 1998 to 2005, he served on the Toll Brothers, Inc. audit engagement. Mr. Connor is a director of Univest Financial Corporation, a publicly traded banking and financial services provider serving customers primarily in Pennsylvania and New Jersey.

The other information required by this item will be included in the "Election of Directors" and "Corporate Governance" sections of our Proxy Statement for the 2024 Annual Meeting of Stockholders (the "2024 Proxy Statement").

Code of Ethics

We have adopted a Code of Ethics for the Principal Executive Officer and Senior Financial Officers ("Code of Ethics") that applies to our principal executive officer, principal financial officer, principal accounting officer, controller, and persons performing similar functions designated by our Board of Directors. The Code of Ethics is available on our Internet website at www.tollbrothers.com under "Investor Relations – Corporate Governance." If we were to amend or waive any provision of our Code of Ethics, we intend to satisfy our disclosure obligations with respect to any such waiver or amendment by posting such information on our Internet website set forth above rather than by filing a Form 8-K.

Indemnification of Directors and Officers

Our Certificate of Incorporation and Bylaws provide for indemnification of our directors and officers. We have also entered into individual indemnification agreements with each of our directors.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be included in the "Executive Compensation" section of our 2024 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required in this item will be included in the “Voting Securities and Beneficial Ownership” and “Equity Compensation Plan Information” sections of our 2024 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS; DIRECTOR INDEPENDENCE

The information required in this item will be included in the “Corporate Governance” and “Certain Relationships and Transactions” sections of our 2024 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required in this item will be included in the “Ratification of the Re-Appointment of Independent Registered Public Accounting Firm” section of the 2024 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Statement Schedules

	<u>Page</u>
1. Financial Statements	
Management's Annual Report on Internal Control Over Financial Reporting	F-1
Reports of Independent Registered Public Accounting Firm (PCAOB ID: 42)	F-2
Consolidated Balance Sheets	F-6
Consolidated Statements of Operations and Comprehensive Income	F-7
Consolidated Statements of Changes in Equity	F-8
Consolidated Statements of Cash Flows	F-9
Notes to Consolidated Financial Statements	F-10
2. Financial Statement Schedules	

None

Financial statement schedules have been omitted because either they are not applicable or the required information is included in the financial statements or notes hereto.

(b) Exhibits

The following exhibits are included with this report or incorporated herein by reference:

Exhibit Number	Description
3.1	Second Restated Certificate of Incorporation of the Registrant, dated September 8, 2005, is hereby incorporated by reference to Exhibit 3.1 of the Registrant's Form 10-Q for the quarter ended July 31, 2005.
3.2	Certificate of Amendment of the Second Restated Certificate of Incorporation of the Registrant, filed with the Secretary of State of the State of Delaware, is hereby incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 22, 2010.
3.3	Certificate of Amendment of the Second Restated Certificate of Incorporation of the Registrant, dated as of March 16, 2011, is hereby incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 18, 2011.
3.4	Certificate of Amendment of the Second Restated Certificate of Incorporation of the Registrant, dated as of March 8, 2016, is hereby incorporated by reference to Annex B to the Registrant's definitive proxy statement on Schedule 14A its 2016 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on February 2, 2016.
3.5	By-Laws of Toll Brothers, Inc., as Amended and Restated June 13, 2023 is hereby incorporated by reference to Exhibit 3.01 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 13, 2023
4.1	Specimen Stock Certificate is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Form 10-K for the year ended October 31, 2017.
4.2	Indenture, dated as of February 7, 2012, among Toll Brothers Finance Corp., the Registrant and the other guarantors named therein and The Bank of New York Mellon, as trustee, is hereby incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 7, 2012.

Exhibit Number	Description
4.3	Authorizing Resolutions, dated as of October 30, 2015, relating to the \$350,000,000 principal amount of 4.875% Senior Notes due 2025 of Toll Brothers Finance Corp. guaranteed on a senior basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2015.
4.4	Form of Global Note for Toll Brothers Finance Corp.'s 4.875% Senior Notes due 2025 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 30, 2015.
4.5	Authorizing Resolutions, dated as of March 10, 2017, relating to the \$300,000,000 principal amount of 4.875% Senior Notes due 2027 of Toll Brothers Finance Corp. guaranteed on a senior basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 10, 2017.
4.6	Form of Global Note for Toll Brothers Finance Corp.'s 4.875% Senior Notes due 2027 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 10, 2017.
4.7	Authorizing Resolutions, dated as of June 12, 2017, relating to the \$150,000,000 principal amount of 4.875% Senior Notes due 2027 of Toll Brothers Finance Corp. guaranteed on a senior basis by the Registrant and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2017.
4.8	Form of Global Note for Toll Brothers Finance Corp.'s 4.875% Senior Notes due 2027 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 12, 2017.
4.9	Authorizing Resolution, dated as of January 22, 2018, relating to the \$400,000,000 aggregate principal amount of 4.350% Senior Notes due 2028 of Toll Brothers Finance Corp., guaranteed on a senior basis by Toll Brothers, Inc. and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 22, 2018.
4.10	Form of Global Note for the Issuer's 4.350% Senior Notes due 2028 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 22, 2018.
4.11	Authorizing Resolution, dated as of September 12, 2019, relating to the \$400,000,000 aggregate principal amount of 3.800% Senior Notes due 2029 of Toll Brothers Finance Corp., guaranteed on a senior basis by Toll Brothers, Inc. and certain of its subsidiaries, is hereby incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 12, 2019.
4.12	Form of Global Note for the Issuer's 3.800% Senior Notes due 2029 is hereby incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 12, 2019.
4.13	First Supplemental Indenture dated as of April 27, 2012, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-Q for the quarter ended April 30, 2012.
4.14	Second Supplemental Indenture dated as of April 30, 2013, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.4 of the Registrant's Form 10-Q for the quarter ended April 30, 2013.
4.15	Third Supplemental Indenture dated as of April 30, 2014, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Form 10-Q for the quarter ended April 30, 2014.
4.16	Fourth Supplemental Indenture dated as of July 31, 2014, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Form 10-Q for the quarter ended July 31, 2014.

Exhibit Number	Description
4.17	Fifth Supplemental Indenture dated as of October 31, 2014, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.55 of the Registrant's Form 10-K for the year ended October 31, 2014.
4.18	Sixth Supplemental Indenture dated as of January 30, 2015, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-Q for the quarter ended January 31, 2015.
4.19	Seventh Supplemental Indenture dated as of April 30, 2015, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-Q for the quarter ended April 30, 2015.
4.20	Eighth Supplemental Indenture dated as of October 30, 2015, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.34 of the Registrant's Form 10-K for the year ended October 31, 2015.
4.21	Ninth Supplemental Indenture dated as of January 29, 2016, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended January 31, 2016.
4.22	Tenth Supplemental Indenture dated as of April 29, 2016, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended April 30, 2016.
4.23	Eleventh Supplemental Indenture dated as of October 31, 2016, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.41 of the Registrant's Form 10-K for the year ended October 31, 2016.
4.24	Twelfth Supplemental Indenture dated as of October 31, 2016, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.42 of the Registrant's Form 10-K for the year ended October 31, 2016.
4.25	Thirteenth Supplemental Indenture dated as of January 31, 2017, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended January 31, 2017.
4.26	Fourteenth Supplemental Indenture dated as of April 28, 2017, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended April 30, 2017.
4.27	Fifteenth Supplemental Indenture dated as of July 31, 2017, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended July 31, 2017.
4.28	Sixteenth Supplemental Indenture dated as of October 31, 2017, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.55 of the Registrant's Form 10-K for the year ended October 31, 2017.
4.29	Seventeenth Supplemental Indenture dated as of October 31, 2017, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.56 of the Registrant's Form 10-K for the year ended October 31, 2017.

Exhibit Number	Description
4.30	Eighteenth Supplemental Indenture dated as of April 13, 2018, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-Q for the quarter ended April 30, 2018.
4.31	Nineteenth Supplemental Indenture dated as of April 30, 2018, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.4 of the Registrant's Form 10-Q for the quarter ended April 30, 2018.
4.32	Twentieth Supplemental Indenture dated as of October 31, 2018, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.62 of the Registrant's Form 10-K for the year ended October 31, 2018.
4.33	Twenty-First Supplemental Indenture dated as of January 31, 2019, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.2 of the Registrant's Form 10-Q for the quarter ended January 31, 2019.
4.34	Twenty-Second Supplemental Indenture dated as of October 30, 2019, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.41 of the Registrant's Form 10-K for the year ended October 31, 2019.
4.35	Twenty-third Supplemental Indenture dated as of October 30, 2019, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.42 of the Registrant's Form 10-K for the year ended October 31, 2019.
4.36	Twenty-fourth Supplemental Indenture dated as of April 30, 2020, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Form 10-Q for the quarter ended April 30, 2020.
4.37	Twenty-fifth Supplemental Indenture dated as of October 30, 2020, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.44 of the Registrant's Form 10-K for the year ended October 31, 2020.
4.38	Twenty-sixth Supplemental Indenture dated as of April 30, 2021, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Form 10-Q for the quarter ended April 30, 2021.
4.39	Twenty-seventh Supplemental Indenture dated as of July 29, 2022, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Form 10-Q for the quarter ended July 31, 2022.
4.40	Twenty-eighth Supplemental Indenture dated as of October 31, 2022, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporate by reference to Exhibit 4.43 of the Registrants's Form 10-K for the year ended October 31, 2022.
4.41	Twenty-ninth Supplemental Indenture dated as of January 31, 2023, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporate by reference to Exhibit 4.1 of the Registrants's Form 10-Q for the quarter ended January 31, 2023.
4.42	Thirtieth Supplemental Indenture dated as of July 31, 2023, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee, is hereby incorporate by reference to Exhibit 4.1 of the Registrants's Form 10-Q for the quarter ended July 31, 2023.

Exhibit Number	Description
4.43	Thirty-first Supplemental Indenture dated as of October 31, 2023, to the Indenture dated as of February 7, 2012 by and among the parties listed on Schedule A thereto, and The Bank of New York Mellon, as successor Trustee.**
4.44	Description of Certain of Registrant's Securities is hereby incorporated by reference to Exhibit 4.44 of the Registrant's Form 10-K for the year ended October 31, 2021.
10.1	Credit Agreement, dated as of February 14, 2023, by and among First Huntingdon Finance Corp., Toll Brothers, Inc., the Lenders party thereto and Mizuho Bank, Ltd. as Administrative Agent, is hereby incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 15, 2023
10.2	Credit Agreement by and among First Huntingdon Finance Corp., Toll Brothers, Inc., the lenders party thereto and SunTrust Bank, as Administrative Agent dated February 3, 2014, is hereby incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on February 5, 2014
10.3	Amendment No. 1, dated as of May 19, 2016, to the Credit Agreement, dated as of February 3, 2014, among First Huntingdon Finance Corp., Toll Brothers, Inc., the Lenders party thereto and SunTrust Bank, as Administrative Agent, is hereby incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on May 24, 2016.
10.4	Amendment No. 2, dated August 2, 2016, to Credit Agreement dated as of February 3, 2014, as amended, by and among First Huntingdon Finance Corp., Toll Brothers, Inc., the designated guarantors party thereto, the lenders party thereto and SunTrust Bank, as Administrative Agent, is hereby incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on August 4, 2016.
10.5	Amendment No. 3, dated November 1, 2018, to Credit Agreement dated as of February 3, 2014, as amended, by and among First Huntingdon Finance Corp., Toll Brothers, Inc., the designated guarantors party thereto, the lenders party thereto and SunTrust Bank, as Administrative Agent, is hereby incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on November 2, 2018.
10.6	Amendment No. 4, dated as of October 31, 2019, to the Credit Agreement, dated as of February 3, 2014, as amended, by and First Huntingdon Finance Corp., Toll Brothers, Inc., the designated guarantors party thereto, the lenders party thereto and SunTrust Bank, as Administrative Agent, is hereby incorporated by reference to Exhibit 10.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on November 1, 2019.
10.7	Amendment No. 5, dated as of February 14, 2023, to the Credit Agreement, dated as of February 3, 2014 (as amended by Amendment No. 1, dated as of May 19, 2016, Amendment No. 2, dated as of August 2, 2016, Amendment No. 3, dated as of November 1, 2018 and Amendment No. 4, dated as of October 31, 2019), among First Huntingdon Finance Corp., Toll Brothers, Inc., the Lenders party thereto and Truist Bank, as Administrative Agent, is hereby incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 15, 2023
10.8	Term Loan Extension Agreements, effective as of October 31, 2020, with respect to the Term Loan Credit Agreement dated as of February 3, 2014 (as amended by Amendment No. 1, dated as of May 19, 2016, Amendment No. 2, dated as of August 2, 2016, Amendment No. 3, dated as of November 1, 2018, and Amendment No. 4, dated as of November 1, 2019) among the Registrant, the Borrower, the lenders party thereto and SunTrust Bank, as Administrative Agent is hereby incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2020.
10.9	Term Loan Extension Agreements, effective as of October 31, 2021, with respect to the Term Loan Credit Agreement dated as of February 3, 2014 (as amended by Amendment No. 1, dated as of May 19, 2016, Amendment No. 2, dated as of August 2, 2016, Amendment No. 3, dated as of November 1, 2018, and Amendment No. 4, dated as of November 1, 2019) among the Registrant, the Borrower, the lenders party thereto and Truist Bank (as successor by merger to SunTrust Bank), as Administrative Agent is hereby incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2020.
10.10*	Toll Brothers, Inc. Employee Stock Purchase Plan (2017) is hereby incorporated by reference to Annex A to the Registrant's Definitive Proxy Statement on Schedule 14A for its 2017 Annual Meeting of Stockholders filed with the SEC on January 31, 2017.

Exhibit Number	Description
10.11*	Amendment No. 1, dated as of December 13, 2017, to the Toll Brothers, Inc. Employee Stock Purchase Plan (2017) is hereby incorporated by reference to Exhibit 10.7 of the Registrant's Form 10-K for the year ended October 31, 2017.
10.12*	Amendment No. 2, dated as of June 19, 2018, to the Toll Brothers, Inc. Employee Stock Purchase Plan (2017) is hereby incorporated by reference to Exhibit 10.8 of the Registrant's Form 10-K for the year ended October 31, 2018.
10.13*	Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Employees (2007) (amended and restated as of September 17, 2008, is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Amendment No. 1 to its Registration Statement on Form S-8 (No. 333-143367) filed with the Securities and Exchange Commission on October 29, 2008.
10.14*	Form of Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2007) is hereby incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on December 19, 2007.
10.15*	Form of Addendum to Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2007) is hereby incorporated by reference to Exhibit 10.3 of the Registrant's Form 10-Q for the quarter ended July 31, 2007.
10.16*	Toll Brothers, Inc. Stock Incentive Plan for Employees (2014) is hereby incorporated by reference to Annex A to the Registrant's definitive proxy statement on Schedule 14A for its 2014 Annual Meeting of Stockholders filed with the SEC on February 3, 2014.
10.17*	Form of Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Employees (2014) is incorporated by reference to Exhibit 10.16 of the Registrant's Form 10-K for the period ended October 31, 2014.
10.18*	Form of Non-Qualified Stock Option Grant, is hereby incorporated by reference to Exhibit 10.18 of the Registrant's Form 10-K for the year ended October 31, 2016.
10.19*	Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Non-Employee Directors (2007) (amended and restated as of September 17, 2008) is hereby incorporated by reference to Exhibit 4.1 of the Registrant's Amendment No. 1 to its Registration Statement on Form S-8 (No. 333-144230) filed with the Securities and Exchange Commission on October 29, 2008.
10.20*	Form of Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Stock Incentive Plan for Non-Employee Directors (2007) is hereby incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 19, 2007.
10.21*	Form of Addendum to Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. Amended and Restated Stock Incentive Plan for Non-Employee Directors (2007) is hereby incorporated by reference to Exhibit 10.6 of the Registrant's Form 10-Q for the quarter ended July 31, 2007.
10.22*	Toll Brothers, Inc. Stock Incentive Plan for Non-Executive Directors (2016) is hereby incorporated by reference to Annex A to the Registrant's definitive proxy statement on Schedule 14A for its 2016 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on February 2, 2016.
10.23*	Form of Non-Qualified Stock Option Grant (Non-Executive Directors), is hereby incorporated by reference to Exhibit 10.26 of the Registrant's Form 10-K for the year ended October 31, 2016.
10.24*	Toll Brothers, Inc. 2019 Omnibus Incentive Plan, is hereby incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 14, 2019.
10.25*	Form of Non-Qualified Stock Option Grant pursuant to the Toll Brothers, Inc. 2019 Omnibus Incentive Plan, is hereby incorporated by reference to Exhibit 10.28 of the Registrant's Form 10-K for the year ended October 31, 2019.
10.26*	Form of Restricted Stock Unit Agreement pursuant to the Toll Brothers, Inc. 2019 Omnibus Incentive Plan, is hereby incorporated by reference to Exhibit 10.29 of the Registrant's Form 10-K for the year ended October 31, 2019.

Exhibit Number	Description
10.27*	Form of Restricted Stock Unit Agreement (Performance Based) pursuant to the Toll Brothers, Inc. 2019 Omnibus Incentive Plan, is hereby incorporated by reference to Exhibit 10.30 of the Registrant's Form 10-K for the year ended October 31, 2019.
10.28*	Toll Brothers, Inc. Supplemental Executive Retirement Plan, as amended effective as of October 29, 2019, is hereby incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 10-Q filed with the Securities and Exchange Commission on October 30, 2019.
10.29*	Toll Bros., Inc. Non-Qualified Deferred Compensation Plan, amended and restated as of November 1, 2008, is incorporated by reference to Exhibit 10.45 of the Registrant's Form 10-K for the period ended October 31, 2008.
10.30*	Amendment Number 1 dated November 1, 2010 to the Toll Bros., Inc. Non-Qualified Deferred Compensation Plan, amended and restated as of November 1, 2008, is incorporated by reference to Exhibit 10.40 of the Registrant's Form 10-K for the period ended October 31, 2010.
10.31*	Amendment Number 2 dated December 30, 2010 to the Toll Bros., Inc. Non-Qualified Deferred Compensation Plan, amended and restated as of November 1, 2008 is incorporated by reference to Exhibit 10.28 of the Registrant's Form 10-K for the period ended October 31, 2014.
10.32*	Amendment Number 3 dated December 22, 2011 to the Toll Bros., Inc. Non-Qualified Deferred Compensation Plan, amended and restated as of November 1, 2008, is incorporated by reference to Exhibit 10.29 of the Registrant's Form 10-K for the period ended October 31, 2014.
10.33*	Toll Bros., Inc. Nonqualified Deferred Compensation Plan, amended and restated effective as of December 31, 2014, is incorporated by reference to Exhibit 10.1 of the Registrant's Form 10-Q for the quarter ended January 31, 2015.
10.34*	Toll Brothers, Inc. Executive Severance Plan, is hereby incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 14, 2019.
10.35*	Form of Indemnification Agreement between the Registrant and the members of its Board of Directors, is hereby incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 17, 2009.
21**	Subsidiaries of the Registrant.
22**	List of guarantor subsidiaries
23**	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
31.1**	Certification of Douglas C. Yearley, Jr. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Martin P. Connor pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Douglas C. Yearley, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Martin P. Connor pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97*	Compensation Clawback Policy
101	The following financial statements from Toll Brothers, Inc. Annual Report on Form 10-K for the year ended October 31, 2023, filed on December 20, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income, (iii) Consolidated Statements of Changes in Equity, (iv) Consolidated Statements of Cash Flows, and (v) the Notes to Consolidated Financial Statements.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

Exhibit Number	Description
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* This exhibit is a management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

** Filed electronically herewith.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves; they should not be relied on for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on December 20, 2023.

TOLL BROTHERS, INC.

By: /s/ Douglas C. Yearley, Jr.

Douglas C. Yearley, Jr.
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Douglas C. Yearley, Jr.</u> Douglas C. Yearley, Jr.	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	December 20, 2023
<u>/s/ Martin P. Connor</u> Martin P. Connor	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	December 20, 2023
<u>/s/ Michael J. Grubb</u> Michael J. Grubb	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	December 20, 2023
<u>/s/ Stephen F. East</u> Stephen F. East	Director	December 20, 2023
<u>/s/ Christine N. Garvey</u> Christine N. Garvey	Director	December 20, 2023
<u>/s/ Karen H. Grimes</u> Karen H. Grimes	Director	December 20, 2023
<u>/s/ Derek T. Kan</u> Derek T. Kan	Director	December 20, 2023
<u>/s/ Carl B. Marbach</u> Carl B. Marbach	Director	December 20, 2023
<u>/s/ John A. McLean</u> John A. McLean	Director	December 20, 2023
<u>/s/ Wendell E. Pritchett</u> Wendell E. Pritchett	Director	December 20, 2023

Signature	Title	Date
<u>/s/ Paul E. Shapiro</u> Paul E. Shapiro	Director	December 20, 2023
<u>/s/ Scott D. Stowell</u> Scott D. Stowell	Director	December 20, 2023

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on this evaluation under the framework in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of October 31, 2023.

Our independent registered public accounting firm, Ernst & Young LLP, has issued its report, which is included herein, on the effectiveness of our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Toll Brothers, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Toll Brothers, Inc.'s internal control over financial reporting as of October 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Toll Brothers, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of October 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2023 consolidated financial statements of the Company and our report dated December 20, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
December 20, 2023

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Toll Brothers, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Toll Brothers, Inc. (the Company) as of October 31, 2023 and 2022, the related consolidated statements of operations and comprehensive income, changes in equity and cash flows for each of the three years in the period ended October 31, 2023, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at October 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of October 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated December 20, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accrual for Self-insurance

Description of the Matter

As described in Notes 1 and 7 of the consolidated financial statements, the Company maintains general liability insurance, including construction defect and bodily injury coverage, and workers' compensation insurance. These insurance policies protect the Company against a portion of the risk of loss from claims related to home building activities, subject to certain self-insured retentions, deductibles and other coverage limits. The Company accrues for expected costs associated with the self-insured retentions, deductibles and other coverage limits which constitute the accrual for self-insurance. The Company's accrual for self-insurance was \$230.7 million as of October 31, 2023.

The Company records expenses and accrues liabilities based on the estimated costs required to cover its self-insured liability under its insurance policies and the estimated costs of potential claims and claim adjustment expenses that are above coverage limits or that are not covered by insurance policies. These estimated costs are based on an analysis of historical claims and industry data. The majority of the accrual for self-insurance is an estimate of claims incurred but not yet reported (“IBNR”).

The Company engages a third-party actuary that uses historical claim and expense data, input from the Company's internal legal and risk management groups, as well as industry data, to estimate the IBNR associated with the risks that the Company is assuming for its accrual for self-insurance, and other required costs to administer current and expected claims. These estimates are subject to uncertainty due to a variety of factors, the most significant being the long period of time between the delivery of a home to a home buyer and when a structural warranty or construction defect claim may be made, and the ultimate resolution of the claim.

Auditing the Company's estimate of IBNR was especially challenging as evaluating the projection of losses related to these liabilities requires actuarial assumptions that are subject to variability due to uncertainties regarding construction defect claims relative to markets and types of products the Company builds, insurance industry practices, and legal or regulatory actions and/or interpretations, among other factors. Key assumptions used in these estimates include claim frequencies, severity, and settlement patterns, which can occur over an extended period of time. In addition, the estimate of IBNR is sensitive to significant assumptions including changes in the frequency and severity of reported claims and loss development factors for reported claims.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's review of the estimate of IBNR, including controls over the significant assumptions and the data inputs used in the actuarial analysis. For example, we tested controls over management's review of the actuarial analysis, including its review of the model and methodology, significant assumptions and the data inputs used in the analysis.

To test the estimate of IBNR we performed audit procedures that included, among others, testing the significant assumptions as well as the completeness and accuracy of the underlying data used by the Company as inputs to develop the assumptions. We reviewed the Company's contractual self-insured retentions, deductibles and other coverage limits. We also evaluated management's conclusions about the Company's legal and contractual obligations with respect to certain claims. We involved our internal actuarial specialists to assist in evaluating the Company's estimate of IBNR, including evaluating the appropriateness of the model and methodology used by management, evaluating the reasonableness of the actuarial assumptions used by management and independently calculating an estimate of IBNR. We also evaluated the Company's disclosures in its consolidated financial statements.

Inventory Impairment

*Description of the
Matter*

As described in Notes 1 and 3 of the consolidated financial statements, the Company states its inventory at cost unless an impairment exists, in which case the inventory is written down to fair value. For the year ended October 31, 2023, the Company recorded inventory impairment charges of \$20.0 million to operating communities and land owned for future communities. The Company regularly evaluates whether there are any impairment indicators for inventory present at the community level. If impairment indicators are present, the Company reviews the carrying value of each community's inventory by comparing the estimated future undiscounted cash flows to the carrying value. For inventory for which the carrying value exceeds the future undiscounted cash flows, the Company writes down the carrying value of the inventory to its estimated fair value primarily based on a discounted cash flow model.

Auditing management's accounting for inventory impairment and its tests for recoverability was especially challenging and involved a high degree of subjectivity as a result of the assumptions and estimates inherent in these evaluations. In particular, management's assumptions and estimates included future home and/or land sales prices and the pace of future sales, which were sensitive to expectations about future demand, operations and economic factors. Additionally, the fair value of certain communities was highly sensitive to relatively small changes in one or more of those assumptions.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's inventory impairment review process. For example, we tested controls over management's review of the significant assumptions and data inputs utilized in the calculation of future undiscounted and discounted cash flows, if applicable.

To test the Company's estimated future cash flows used to test for the recoverability of a community and, if applicable, the measurement of an impairment loss, we performed audit procedures that included, among others, testing the significant assumptions discussed above and the underlying data used by the Company in its impairment analyses, evaluating the methodologies applied by management, and recalculating the total undiscounted and discounted cash flows, if applicable, in each analysis. In certain cases, we involved our internal real estate valuation specialists to assist in performing these procedures. We compared the significant assumptions used by management to historical sales data, sales trends, and observable market-specific data. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of inventory that would result from changes in the assumptions. We also evaluated the Company's disclosures in its consolidated financial statements.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1983.

Philadelphia, Pennsylvania
December 20, 2023

CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	October 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,300,068	\$ 1,346,754
Inventory	9,057,578	8,733,326
Property, construction, and office equipment – net	323,990	287,827
Receivables, prepaid expenses, and other assets (1)	691,256	747,228
Mortgage loans held for sale – at fair value	110,555	185,150
Customer deposits held in escrow	84,530	136,115
Investments in unconsolidated entities (1)	959,041	852,314
	<u>\$ 12,527,018</u>	<u>\$ 12,288,714</u>
LIABILITIES AND EQUITY		
Liabilities		
Loans payable	\$ 1,164,224	\$ 1,185,275
Senior notes	1,596,185	1,995,271
Mortgage company loan facility	100,058	148,863
Customer deposits	540,718	680,588
Accounts payable	597,582	619,411
Accrued expenses	1,548,781	1,345,987
Income taxes payable	166,268	291,479
Total liabilities	<u>5,713,816</u>	<u>6,266,874</u>
Equity		
Stockholders' equity		
Preferred stock, none issued	—	—
Common stock, 112,937 and 127,937 shares issued at October 31, 2023 and October 31, 2022, respectively	1,129	1,279
Additional paid-in capital	698,548	716,786
Retained earnings	6,675,719	6,166,732
Treasury stock, at cost — 9,146 and 18,312 shares at October 31, 2023 and October 31, 2022, respectively	(619,150)	(916,327)
Accumulated other comprehensive income ("AOCI")	40,910	37,618
Total stockholders' equity	<u>6,797,156</u>	<u>6,006,088</u>
Noncontrolling interest	16,046	15,752
Total equity	<u>6,813,202</u>	<u>6,021,840</u>
	<u>\$ 12,527,018</u>	<u>\$ 12,288,714</u>

(1) As of October 31, 2023 and 2022, Receivables, prepaid expenses and other assets and Investments in unconsolidated entities include \$89.6 million and \$81.3 million, respectively, of assets related to consolidated variable interest entities ("VIEs"). See Note 4, "Investments in Unconsolidated Entities" for additional information regarding VIEs.

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Amounts in thousands, except per share data)

	Year ended October 31,		
	2023	2022	2021
Revenues:			
Home sales	\$ 9,866,026	\$ 9,711,170	\$ 8,431,746
Land sales and other	128,911	564,388	358,615
	<u>9,994,937</u>	<u>10,275,558</u>	<u>8,790,361</u>
Cost of revenues:			
Home sales	7,207,279	7,237,409	6,538,454
Land sales and other	153,457	551,770	309,007
	<u>7,360,736</u>	<u>7,789,179</u>	<u>6,847,461</u>
Selling, general and administrative	909,446	977,753	922,023
Income from operations	<u>1,724,755</u>	<u>1,508,626</u>	<u>1,020,877</u>
Other:			
Income from unconsolidated entities	50,098	23,723	74,035
Other income – net	67,518	171,377	40,614
Expenses related to early retirement of debt	—	—	(35,211)
Income before income taxes	<u>1,842,371</u>	<u>1,703,726</u>	<u>1,100,315</u>
Income tax provision	470,300	417,226	266,688
Net income	<u>\$ 1,372,071</u>	<u>\$ 1,286,500</u>	<u>\$ 833,627</u>
Other comprehensive income – net of tax	3,292	36,509	8,307
Total comprehensive income	<u>\$ 1,375,363</u>	<u>\$ 1,323,009</u>	<u>\$ 841,934</u>
Per share:			
Basic earnings	<u>\$ 12.47</u>	<u>\$ 11.02</u>	<u>\$ 6.72</u>
Diluted earnings	<u>\$ 12.36</u>	<u>\$ 10.90</u>	<u>\$ 6.63</u>
Weighted-average number of shares:			
Basic	110,020	116,771	124,100
Diluted	111,008	117,975	125,807

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	AOCI	Stockholders' Equity	Non-controlling Interest	Total Equity
	Shares	\$	\$	\$	\$	\$	\$	\$	\$
Balance, 11/1/2020	152,937	1,529	717,272	5,164,086	(1,000,454)	(7,198)	4,875,235	52,241	4,927,476
Cumulative effect adjustment upon adoption of ASU 2016-13, net of tax				(595)			(595)		(595)
Net income				833,627			833,627		833,627
Purchase of treasury stock					(378,256)		(378,256)		(378,256)
Exercise of stock options, and stock based compensation issuances, and employee stock purchase plan issuances			(26,006)		36,489		10,483		10,483
Stock-based compensation			23,187				23,187		23,187
Cancellation of treasury stock	(25,000)	(250)		(950,315)	950,565		—		—
Dividends declared				(76,964)			(76,964)		(76,964)
Other comprehensive income						8,307	8,307		8,307
Loss attributable to non-controlling interest							—	(6,770)	(6,770)
Capital distributions, net							—	(40)	(40)
Balance, 10/31/2021	127,937	1,279	714,453	4,969,839	(391,656)	1,109	5,295,024	45,431	5,340,455
Net income				1,286,500			1,286,500		1,286,500
Purchase of treasury stock					(542,739)		(542,739)		(542,739)
Exercise of stock options, and stock based compensation issuances, and employee stock purchase plan issuances			(18,762)		18,068		(694)		(694)
Stock-based compensation			21,095				21,095		21,095
Dividends declared				(89,607)			(89,607)		(89,607)
Other comprehensive income						36,509	36,509		36,509
Income attributable to non-controlling interest							—	64	64
Capital distributions, net							—	(29,743)	(29,743)
Balance, 10/31/2022	127,937	1,279	716,786	6,166,732	(916,327)	37,618	6,006,088	15,752	6,021,840
Net income				1,372,071			1,372,071		1,372,071
Purchase of treasury stock					(565,950)		(565,950)		(565,950)
Exercise of stock options, and stock based compensation issuances, and employee stock purchase plan issuances			(43,043)		91,308		48,265		48,265
Stock-based compensation			24,805				24,805		24,805
Cancellation of treasury stock	(15,000)	(150)		(771,669)	771,819		—		—
Dividends declared				(91,415)			(91,415)		(91,415)
Other comprehensive income						3,292	3,292		3,292
Loss attributable to non-controlling interest							—	(666)	(666)
Capital contributions, net							—	960	960
Balance, 10/31/2023	112,937	1,129	698,548	6,675,719	(619,150)	40,910	6,797,156	16,046	6,813,202

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Year ended October 31,		
	2023	2022	2021
Cash flow provided by operating activities:			
Net income	\$ 1,372,071	\$ 1,286,500	\$ 833,627
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	76,473	76,816	76,250
Stock-based compensation	24,805	21,095	23,187
Income from unconsolidated entities	(50,098)	(23,723)	(74,035)
Distributions of earnings from unconsolidated entities	88,393	32,316	83,118
Deferred tax provision	36,239	(96,680)	11,815
Impairment charges and write-offs	69,537	39,541	26,535
(Gain) loss on sale of assets	(416)	576	(38,706)
Other	3,181	3,781	(406)
Expenses related to early retirement of debt	—	—	35,211
Changes in operating assets and liabilities:			
Inventory	(22,212)	(618,829)	(196,227)
Origination of mortgage loans	(1,602,700)	(2,035,637)	(2,178,468)
Sale of mortgage loans	1,681,610	2,086,358	2,159,827
Receivables, prepaid expenses, and other assets	(135,924)	(95,018)	135,806
Current income taxes – net	(162,570)	160,500	25,131
Customer deposits – net	(88,285)	(3,279)	165,637
Accounts payable and accrued expenses	(23,674)	152,499	214,825
Net cash provided by operating activities	<u>1,266,430</u>	<u>986,816</u>	<u>1,303,127</u>
Cash flow used in investing activities:			
Purchase of property, construction, and office equipment – net	(72,961)	(71,726)	(66,878)
Investments in unconsolidated entities	(216,438)	(226,724)	(221,932)
Return of investments in unconsolidated entities	112,749	116,769	203,504
Proceeds from the sale of assets, including ownership interests in unconsolidated entities	26,049	28,309	80,418
Other	—	196	652
Net cash used in investing activities	<u>(150,601)</u>	<u>(153,176)</u>	<u>(4,236)</u>
Cash flow used in financing activities:			
Proceeds from loans payable	3,079,142	4,304,635	3,158,033
Debt issuance costs	(5,365)	—	—
Principal payments of loans payable	(3,239,418)	(4,356,185)	(3,425,065)
Redemption of senior notes	(400,000)	(409,856)	(294,168)
Proceeds (payments) related to stock-based benefit plans – net	48,269	(690)	10,487
Purchase of treasury stock	(561,595)	(542,739)	(378,256)
Dividends paid	(91,082)	(88,901)	(76,623)
Receipts (payments) related to noncontrolling interest – net	11	(25,766)	(5,491)
Net cash used in financing activities	<u>(1,170,038)</u>	<u>(1,119,502)</u>	<u>(1,011,083)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	<u>(54,209)</u>	<u>(285,862)</u>	<u>287,808</u>
Cash, cash equivalents, and restricted cash, beginning of period	1,398,550	1,684,412	1,396,604
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 1,344,341</u>	<u>\$ 1,398,550</u>	<u>\$ 1,684,412</u>

See accompanying notes.

Notes to Consolidated Financial Statements

1. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Toll Brothers, Inc. (the “Company,” “we,” “us,” or “our”), a Delaware corporation, and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Investments in 50% or less owned partnerships and affiliates are accounted for using the equity method unless it is determined that we have effective control of the entity, in which case we would consolidate the entity.

References herein to fiscal year refer to our fiscal years ended or ending October 31.

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (“GAAP”) requires us to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. In times of economic disruption when uncertainty regarding future economic conditions is heightened, these estimates and assumptions are subject to greater variability. As a result, actual results could differ from the estimates and assumptions we make that affect the amounts reported in the Consolidated Financial Statements and accompanying notes, and such differences may be material.

Cash and Cash Equivalents

Liquid investments or investments with original maturities of three months or less are classified as cash equivalents. Our cash balances exceed federally insurable limits. We monitor the cash balances in our operating accounts and adjust the cash balances as appropriate; however, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, we have experienced no loss or lack of access to cash in our operating accounts.

Inventory

Inventory is stated at cost unless an impairment exists, in which case it is written down to fair value in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 360, “Property, Plant, and Equipment” (“ASC 360”). In addition to direct land acquisition costs, land development costs, and home construction costs, costs also include interest, real estate taxes, and direct overhead related to development and construction, which are capitalized to inventory during the period beginning with the commencement of development and ending with the completion of construction. For those communities that have been temporarily closed, no additional capitalized interest is allocated to a community’s inventory until it reopens. While the community remains closed, carrying costs such as real estate taxes are expensed as incurred.

We capitalize certain interest costs to qualified inventory during the development and construction period of our communities in accordance with ASC 835-20, “Capitalization of Interest” (“ASC 835-20”). Capitalized interest is charged to home sales cost of sales revenues when the related inventory is delivered. Interest incurred on home building indebtedness in excess of qualified inventory, as defined in ASC 835-20, is charged to the Consolidated Statements of Operations and Comprehensive Income in the period incurred. During fiscal 2023, 2022 and 2021, the Company’s qualified inventory exceeded its indebtedness and substantially all interest incurred was capitalized to inventory. See Note 3, “Inventory”.

Once a parcel of land has been approved for development and we open one of our typical communities, it may take four or more years to fully develop, sell, and deliver all the homes in such community. Longer or shorter time periods are possible depending on the number of home sites in a community and the sales and delivery pace of the homes in a community. Our master-planned communities, consisting of several smaller communities, may take up to 10 years or more to complete. Because our inventory is considered a long-lived asset under GAAP, we are required, under ASC 360, to regularly review the carrying value of each community and write down the value of those communities for which we believe the values are not recoverable.

Operating Communities: When the profitability of an operating community deteriorates, the sales pace declines significantly, or some other factor indicates a possible impairment in the recoverability of the asset, the asset is reviewed for impairment by comparing the estimated future undiscounted cash flow for the community to its carrying value. If the estimated future undiscounted cash flow is less than the community’s carrying value, the carrying value is written down to its estimated fair value. Estimated fair value is primarily determined by discounting the estimated future cash flow of each community. The impairment is charged to home sales cost of revenues in the period in which the impairment is determined. In estimating the future undiscounted cash flow of a community, we use various estimates such as (i) the expected sales pace in a community, based upon general economic conditions that will have a short-term or long-term impact on the market in which the community

is located and on competition within the market, including the number of home sites available and pricing and incentives being offered in other communities owned by us or by other builders; (ii) the expected sales prices and sales incentives to be offered in a community; (iii) costs expended to date and expected to be incurred in the future, including, but not limited to, land and land development, home construction, interest, and overhead costs; (iv) alternative product offerings that may be offered in a community that will have an impact on sales pace, sales price, building cost, or the number of homes that can be built on a particular site; and (v) alternative uses for the property such as the possibility of a sale of the entire community to another builder or the sale of individual home sites.

Future Communities: We evaluate all land held for future communities or future sections of operating communities, whether owned or under contract, to determine whether or not we expect to proceed with the development of the land as originally contemplated. This evaluation encompasses the same types of estimates used for operating communities described above, as well as an evaluation of the regulatory environment applicable to the land and the estimated probability of obtaining the necessary approvals, the estimated time and cost it will take to obtain the approvals, and the possible concessions that may be required to be given in order to obtain them. Concessions may include cash payments to fund improvements to public places such as parks and streets, dedication of a portion of the property for use by the public or as open space, or a reduction in the density or size of the homes to be built. Based upon this review, we decide (i) as to land under contract to be purchased, whether the contract will likely be terminated or renegotiated, and (ii) as to land owned, whether the land will likely be developed as contemplated or in an alternative manner, or should be sold. We then further determine whether costs that have been capitalized to the community are recoverable or should be written off. The write-off is charged to home sales cost of revenues in the period in which the need for the write-off is determined.

The estimates used in the determination of the estimated cash flows and fair value of both current and future communities are based on factors known to us at the time such estimates are made and our expectations of future operations and economic conditions. Should the estimates or expectations used in determining estimated fair value deteriorate in the future, we may be required to recognize additional impairment charges and write-offs related to current and future communities and such amounts could be material.

Variable Interest Entities

We are required to consolidate variable interest entities (“VIEs”) in which we have a controlling financial interest in accordance with ASC 810, “Consolidation” (“ASC 810”). A controlling financial interest will have both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance, and (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Our variable interest in VIEs may be in the form of equity ownership, contracts to purchase assets, management services and development agreements between us and a VIE, loans provided by us to a VIE or other member, and/or guarantees provided by members to banks and other parties.

We have a significant number of land purchase contracts and financial interests in other entities which we evaluate in accordance with ASC 810. We analyze our land purchase contracts and the entities in which we have an investment to determine whether the land sellers and entities are VIEs and, if so, whether we are the primary beneficiary (“PB”). We examine specific criteria and use our judgment when determining if we are the primary beneficiary of a VIE. Factors considered in determining whether we are the primary beneficiary include risk and reward sharing, experience and financial condition of other member(s), voting rights, involvement in day-to-day capital and operating decisions, representation on a VIE’s executive committee, existence of unilateral kick-out rights or voting rights, level of economic disproportionality between us and the other member(s), and contracts to purchase assets from VIEs. The determination whether an entity is a VIE and, if so, whether we are the primary beneficiary may require significant judgment.

Property, Construction, and Office Equipment

Property, construction, and office equipment are recorded at cost and are stated net of accumulated depreciation of \$285.7 million and \$289.4 million at October 31, 2023 and 2022, respectively. For property and equipment related to onsite sales centers, depreciation is recorded using the units of production method as homes are delivered. For all other property and equipment, depreciation is recorded using a straight-line method over the estimated useful lives of the related assets. In fiscal 2023, 2022, and 2021, we recognized \$75.5 million, \$75.9 million, and \$74.8 million of depreciation expense, respectively.

Mortgage Loans Held for Sale

Residential mortgage loans held for sale are measured at fair value in accordance with the provisions of ASC 825, “Financial Instruments” (“ASC 825”). We believe the use of ASC 825 improves consistency of mortgage loan valuations between the date the borrower locks in the interest rate on the pending mortgage loan and the date of the mortgage loan sale. At the end of the reporting period, we determine the fair value of our mortgage loans held for sale and the forward loan commitments we have entered into as a hedge against the interest rate risk of our mortgage loans using the market approach to determine fair value. The evaluation is based on the current market pricing of mortgage loans with similar terms and values as of the reporting date, and such pricing is applied to the mortgage loan portfolio. We recognize the difference between the fair value and the unpaid principal balance of mortgage loans held for sale as a gain or loss. In addition, we recognize the change in fair value of our forward loan commitments as a gain or loss. Interest income on mortgage loans held for sale is calculated based upon the stated interest rate of each loan. In addition, net origination costs and fees associated with residential mortgage loans originated are expensed as incurred. These gains and losses, interest income, and origination costs and fees are recognized in “Other income – net” in the Consolidated Statements of Operations and Comprehensive Income.

Investments in Unconsolidated Entities

In accordance with ASC 323, “Investments—Equity Method and Joint Ventures,” we review each of our investments on a quarterly basis for indicators of impairment. A series of operating losses of an investee, the inability to recover our invested capital, or other factors may indicate that a loss in value of our investment in the unconsolidated entity has occurred. If a loss exists, we further review the investment to determine if the loss is other than temporary, in which case we write down the investment to its estimated fair value. The evaluation of our investment in unconsolidated entities entails a detailed cash flow analysis using many estimates, including, but not limited to, expected sales pace, expected sales prices, expected incentives, costs incurred and anticipated, sufficiency of financing and capital, competition, market conditions, and anticipated cash receipts, in order to determine projected future distributions from the unconsolidated entity. In addition, for investments in rental properties, we review rental trends, expected future expenses, and expected cash flows to determine estimated fair values of the properties.

Our unconsolidated entities that develop land or develop for-sale homes and condominiums evaluate their inventory in a similar manner as we do. See “Inventory” above for more detailed disclosure on our evaluation of inventory. For our unconsolidated entities that own, develop, and manage for-rent residential apartments, we review rental trends, expected future expenses, and expected future cash flows to determine estimated fair values of the underlying properties. If a valuation adjustment is recorded by an unconsolidated entity related to its assets, our proportionate share is reflected in income from unconsolidated entities with a corresponding decrease to our investment in unconsolidated entities.

We are a party to several joint ventures with unrelated parties to develop and sell land that is owned by the joint ventures. We recognize our proportionate share of the earnings from the sale of home sites to other builders, including our joint venture partners. We do not recognize earnings from the home sites we purchase from these ventures at the time of purchase; instead, our cost basis in those home sites is reduced by our share of the earnings realized by the joint venture from sales of those home sites to us.

We are also a party to several other joint ventures. We recognize our proportionate share of the earnings and losses of our unconsolidated entities.

Fair Value Disclosures

We use ASC 820, “Fair Value Measurements and Disclosures” (“ASC 820”), to measure the fair value of certain assets and liabilities. ASC 820 provides a framework for measuring fair value in accordance with GAAP, establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, and requires certain disclosures about fair value measurements.

The fair value hierarchy is summarized below:

- Level 1: Fair value determined based on quoted prices in active markets for identical assets or liabilities.
- Level 2: Fair value determined using significant observable inputs, generally either quoted prices in active markets for similar assets or liabilities or quoted prices in markets that are not active.
- Level 3: Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows, or similar techniques.

Derivative Instruments and Hedging Activities

Our objective in entering into derivative transactions is to manage our exposure to interest rate movements associated with certain variable rate debt, mortgage loans held for sale, interest rate lock commitments, and forward loan commitments we have entered into related to our mortgage operations. We recognize derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value.

We have entered into interest rate swaps related to a portion of our variable rate debt. These derivative transactions are designated as cash flow hedges. The entire change in the fair value of these derivative transactions included in the assessment of hedge effectiveness is initially reported in Accumulated other comprehensive income (loss) and subsequently reclassified to home sales cost of revenues in the accompanying Consolidated Statements of Operations and Comprehensive Income when the hedged transaction affects earnings. If it is determined that a derivative is not highly effective as a hedge, or if the hedged forecasted transaction is no longer probable of occurring, the amount recognized in Accumulated other comprehensive income (loss) is released to earnings.

Our derivative transactions related to our mortgage loans held for sale, interest rate lock commitments, and our forward loan commitments are not designated as hedges and therefore the entire change in the fair value of these derivative transactions is included as a gain or loss in Other income – net in the accompanying Consolidated Statements of Operations and Comprehensive Income.

See Note 12 “Fair Value Disclosures” for more information.

Treasury Stock

Treasury stock is recorded at cost. Issuance of treasury stock is accounted for on a first-in, first-out basis. Differences between the cost of treasury stock and the re-issuance proceeds are charged to additional paid-in capital. When treasury stock is cancelled, any excess purchase price over par value is charged directly to retained earnings. In fiscal 2023 and 2021, we cancelled 15 million and 25 million shares of treasury stock, respectively.

Revenue and Cost Recognition

Home sales revenues: Revenues and cost of revenues from home sales are recognized at the time each home is delivered and title and possession are transferred to the buyer. For the majority of our home closings, our performance obligation to deliver a home is satisfied in less than one year from the date a binding sale agreement is signed. In certain states where we build, we are not able to complete certain outdoor features prior to the closing of the home. To the extent these separate performance obligations are not complete upon the home closing, we defer the portion of the home sales revenues related to these obligations and subsequently recognize the revenue upon completion of such obligations. As of October 31, 2023, the home sales revenues and related costs we deferred related to these obligations were immaterial. Our contract liabilities, consisting of deposits received from customers for sold but undelivered homes, totaled \$540.7 million and \$680.6 million at October 31, 2023 and October 31, 2022, respectively. Of the outstanding customer deposits held as of October 31, 2022, we recognized \$542.0 million in home sales revenues during the fiscal year ended October 31, 2023. Of the outstanding customer deposits held as of October 31, 2021, we recognized \$515.6 million in home sales revenues during the fiscal year ended October 31, 2022.

For our standard attached and detached homes, land, land development, and related costs, both incurred and estimated to be incurred in the future, are amortized to the cost of homes closed based upon the total number of homes to be constructed in each community. Any changes resulting from a change in the estimated number of homes to be constructed or in the estimated land, land development, and related costs subsequent to the commencement of delivery of homes are allocated to the remaining undelivered homes in the community. Home construction and related costs are charged to the cost of homes closed under the specific identification method. The estimated land, common area development, and related costs of master-planned communities, including the cost of golf courses, net of their estimated residual value, are allocated to individual communities within a master-planned community on a relative sales value basis. Any changes resulting from a change in the estimated number of homes to be constructed or in the estimated costs are allocated to the remaining home sites in each of the communities of the master-planned community.

For high-rise/mid-rise projects, land, land development, construction, and related costs, both incurred and estimated to be incurred in the future, are generally amortized to the cost of units closed based upon an estimated relative sales value of the units closed to the total estimated sales value. Any changes resulting from a change in the estimated total costs or revenues of the project are allocated to the remaining units to be delivered.

Land sales and other revenues: Our revenues from land sales and other generally consist of: (1) land sales to joint ventures in which we retain an interest; (2) lot sales to third-party builders within our master-planned communities; (3) bulk land sales to third parties of land we have decided no longer meets our development criteria; and (4) sales of commercial and retail

properties generally located at our high-rise urban luxury condominium projects. In general, our performance obligation for each of these land sales is fulfilled upon the delivery of the land, which generally coincides with the receipt of cash consideration from the counterparty. For land sale transactions that contain repurchase options, revenues and related costs are not recognized until the repurchase option expires. In addition, when we sell land to a joint venture in which we retain an interest, we do not recognize revenue or gains on the sale to the extent of our retained interest in such joint venture.

Forfeited Customer Deposits: Forfeited customer deposits are recognized in “Home sales revenues” in our Consolidated Statements of Operations and Comprehensive Income in the period in which we determine that the customer will not complete the purchase of the home and we have the right to retain the deposit.

Sales Incentives: In order to promote sales of our homes, we may offer our home buyers sales incentives. These incentives will vary by type of incentive and by amount on a community-by-community and home-by-home basis. Incentives are reflected as a reduction in home sales revenues. Incentives are recognized at the time the home is delivered to the home buyer and we receive the sales proceeds.

Advertising Costs

We expense advertising costs as incurred. Advertising costs, including brochures and signage, were \$49.6 million, \$42.5 million, and \$39.1 million for the years ended October 31, 2023, 2022, and 2021, respectively.

Warranty and Self-Insurance

Warranty: We provide all of our home buyers with a limited warranty as to workmanship and mechanical equipment. We also provide many of our home buyers with a limited 10-year warranty as to structural integrity. We accrue for expected warranty costs at the time each home is closed and title and possession are transferred to the home buyer. Warranty costs are accrued based upon historical experience. Adjustments to our warranty liabilities related to homes delivered in prior periods are recorded in the period in which a change in our estimate occurs. Over the past several years, we have had a significant number of warranty claims related primarily to homes built in Pennsylvania and Delaware. See Note 7 – “Accrued Expenses” for additional information regarding these warranty charges.

Self-Insurance: We maintain, and require the majority of our subcontractors to maintain, general liability insurance (including construction defect and bodily injury coverage) and workers’ compensation insurance. These insurance policies protect us against a portion of our risk of loss from claims related to our home building activities, subject to certain self-insured retentions, deductibles and other coverage limits (“self-insured liability”). We also provide general liability insurance for our subcontractors in Arizona, California, Colorado, Nevada, Washington, and certain areas of Texas, where eligible subcontractors are enrolled as insureds under our general liability insurance policies in each community in which they perform work. For those enrolled subcontractors, we absorb their general liability associated with the work performed on our homes within the applicable community as part of our overall general liability insurance and our self-insured liability.

We record expenses and liabilities based on the estimated costs required to cover our self-insured liability and the estimated costs of potential claims and claim adjustment expenses that are above our coverage limits or that are not covered by our insurance policies. These estimated costs are based on an analysis of our historical claims and industry data, and include an estimate of claims incurred but not yet reported (“IBNR”).

We engage a third-party actuary that uses our historical claim and expense data, input from our internal legal and risk management groups, as well as industry data, to estimate our liabilities related to unpaid claims, IBNR associated with the risks that we are assuming for our self-insured liability, and other required costs to administer current and expected claims. These estimates are subject to uncertainty due to a variety of factors, the most significant being the long period of time between the delivery of a home to a home buyer and when a structural warranty or construction defect claim may be made, and the ultimate resolution of the claim. Though state regulations vary, construction defect claims may be reported and resolved over a prolonged period of time, which can extend for 10 years or longer. As a result, the majority of the estimated liability relates to IBNR. Adjustments to our liabilities related to homes delivered in prior years are recorded in the period in which a change in our estimate occurs.

The projection of losses related to these liabilities requires actuarial assumptions that are subject to variability due to uncertainties regarding construction defect claims relative to our markets and the types of product we build, insurance industry practices, and legal or regulatory actions and/or interpretations, among other factors. Key assumptions used in these estimates include claim frequencies, severity, and settlement patterns, which can occur over an extended period of time. In addition, changes in the frequency and severity of reported claims and the estimates to settle claims can impact the trends and assumptions used in the actuarial analysis, which could be material to our consolidated financial statements. Due to the degree of judgment required, and the potential for variability in these underlying assumptions, our actual future costs could differ from those estimated, and the difference could be material to our consolidated financial statements.

Stock-Based Compensation

We account for our stock-based compensation in accordance with ASC 718, “Compensation – Stock Compensation” (“ASC 718”). We use a lattice model for the valuation of our stock option grants. The option pricing models used are designed to estimate the value of options that, unlike employee stock options and restricted stock units, can be traded at any time and are transferable. In addition to restrictions on trading, employee stock options and restricted stock units may include other restrictions such as vesting periods. Further, such models require the input of subjective assumptions, including the expected volatility of the stock price. Stock-based compensation expense is generally included in “Selling, general and administrative” expense in our Consolidated Statements of Operations and Comprehensive Income. We recognize forfeitures of stock-based awards as a reduction to compensation expense in the period in which they occur.

Legal Expenses

Transactional legal expenses for land acquisition and entitlement, and financing are capitalized and expensed over their appropriate life. We expense legal fees related to litigation, warranty and insurance claims when incurred.

Income Taxes

We account for income taxes in accordance with ASC 740, “Income Taxes” (“ASC 740”). Deferred tax assets and liabilities are recorded based on temporary differences between the amounts reported for financial reporting purposes and the amounts reported for income tax purposes. In accordance with the provisions of ASC 740, we assess the realizability of our deferred tax assets. A valuation allowance must be established when, based upon available evidence, it is more likely than not that all or a portion of the deferred tax assets will not be realized. See “Income Taxes – Valuation Allowance” below.

Federal and state income taxes are calculated on reported pre-tax earnings based on current tax law and also include, in the applicable period, the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provisions differ from the amounts currently receivable or payable because certain items of income and expense are recognized for financial reporting purposes in different periods than for income tax purposes. Significant judgment is required in determining income tax provisions and evaluating tax positions. We establish reserves for income taxes when, despite the belief that our tax positions are fully supportable, we believe that our positions may be challenged and disallowed by various tax authorities. The consolidated tax provisions and related accruals include the impact of such reasonably estimable disallowances as deemed appropriate. To the extent that the probable tax outcome of these matters changes, such changes in estimates will impact the income tax provision in the period in which such determination is made.

ASC 740 clarifies the accounting for uncertainty in income taxes recognized and prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. ASC 740 requires a company to recognize the financial statement effect of a tax position when it is “more-likely-than-not” (defined as a substantiated likelihood of more than 50%), based on the technical merits of the position, that the position will be sustained upon examination. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to be recognized in the financial statements based upon the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Our inability to determine that a tax position meets the more-likely-than-not recognition threshold does not mean that the Internal Revenue Service (“IRS”) or any other taxing authority will disagree with the position that we have taken.

If a tax position does not meet the more-likely-than-not recognition threshold, despite our belief that our filing position is supportable, the benefit of that tax position is not recognized in the Consolidated Statements of Operations and Comprehensive Income and we are required to accrue potential interest and penalties until the uncertainty is resolved. Potential interest and penalties are recognized as a component of the provision for income taxes. Differences between amounts taken in a tax return and amounts recognized in the financial statements are considered unrecognized tax benefits. We believe that we have a reasonable basis for each of our filing positions and intend to defend those positions if challenged by the IRS or other taxing jurisdiction. If the IRS or other taxing authorities do not disagree with our position, and after the statute of limitations expires, we will recognize the unrecognized tax benefit in the period that the uncertainty of the tax position is eliminated.

Income Taxes — Valuation Allowance

We assess the need for valuation allowances for deferred tax assets in each period based on whether it is more-likely-than-not that some portion of the deferred tax asset would not be realized. If, based on the available evidence, it is more-likely-than-not that such asset will not be realized, a valuation allowance is established against a deferred tax asset. The realization of a

deferred tax asset ultimately depends on the existence of sufficient taxable income in either the carryback or carryforward periods under tax law. This assessment considers, among other matters, the nature, consistency, and magnitude of current and cumulative income and losses; forecasts of future profitability; the duration of statutory carryback or carryforward periods; our experience with operating loss and tax credit carryforwards being used before expiration; tax planning alternatives; and outlooks for the U.S. housing industry and broader economy. Changes in existing tax laws or rates could also affect our actual tax results. Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting periods, actual results could differ from the estimates used in our assessment that could have a material impact on our consolidated results of operations or financial position.

Segment Reporting

We operate in the following five geographic segments, with current operations generally located in the states listed below:

Eastern Region:

- The **North** region: Connecticut, Delaware, Illinois, Massachusetts, Michigan, New Jersey, New York and Pennsylvania;
- The **Mid-Atlantic** region: Georgia, Maryland, North Carolina, Tennessee and Virginia;
- The **South** region: Florida, South Carolina and Texas;

Western Region:

- The **Mountain** region: Arizona, Colorado, Idaho, Nevada and Utah; and
- The **Pacific** region: California, Oregon and Washington.

Our geographic reporting segments are consistent with how our chief operating decision makers are assessing operating performance and allocating capital.

Recent Accounting Pronouncements

In November 2023, the FASB issued ASU No. 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures” (“ASU 2023-07”). ASU 2023-07 requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (“CODM”) and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items to reconcile to segment profit or loss, and the title and position of the entity’s CODM. The amendments in this update also expand the interim segment disclosure requirements. ASU 2023-07 will be effective for our fiscal year ending October 31, 2025 and for interim periods starting in our first quarter of fiscal 2026. Early adoption is permitted and the amendments in this update are required to be applied on a retrospective basis. We are currently reviewing the impact that the adoption of ASU 2023-07 may have on our consolidated financial statements and disclosures.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). ASU 2016-13 replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to estimate credit losses. ASU 2016-13 became effective for our fiscal year beginning November 1, 2020, and we adopted the standard under the modified retrospective transition method. As a result of the adoption, we recognized a cumulative effect adjustment, net of tax, of \$0.6 million to the opening balance of retained earnings. The adoption of ASU 2016-13 did not have a material impact on our consolidated financial statements or disclosures, and there have been no significant changes to our internal controls, processes, or systems as a result of implementing this new standard.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848),” as amended by ASU 2021-01 in January 2021 and ASU 2022-06 in December 2022 (“ASC 848”), directly addressing the effects of reference rate reform on financial reporting as a result of the cessation of the publication of certain London Interbank Offered Rate (“LIBOR”) rates beginning December 31, 2021. The guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform by virtue of referencing LIBOR or another reference rate expected to be discontinued. This guidance became effective on March 12, 2020 and can be adopted no later than December 31, 2024, with early adoption permitted. We elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. We continue to evaluate the impact of the guidance on our consolidated financial statements and may apply other elections as applicable as additional changes in the market occur.

Reclassification

Certain prior period amounts have been reclassified to conform to the fiscal 2023 presentation.

2. Acquisitions

In fiscal 2022, we acquired substantially all of the assets and operations of a privately-held home builder with operations in San Antonio, Texas for approximately \$48.1 million in cash. The assets acquired, which consisted of 16 communities, were primarily inventory, including approximately 450 home sites owned or controlled through land purchase agreements. This acquisition was accounted for as an asset acquisition and was not material to our results of operations or financial condition.

In fiscal 2021, we acquired substantially all of the assets and operations of a privately-held home builder with operations in Las Vegas, Nevada for approximately \$38.8 million in cash. The assets acquired were primarily inventory for future communities, including approximately 550 home sites owned or controlled through land purchase agreements. This acquisition was accounted for as an asset acquisition and was not material to our results of operations or financial condition.

3. Inventory

Inventory at October 31, 2023 and 2022 consisted of the following (amounts in thousands):

	2023	2022
Land controlled for future communities	\$ 173,175	\$ 240,751
Land owned for future communities	663,413	808,851
Operating communities	8,220,990	7,683,724
	<u>\$ 9,057,578</u>	<u>\$ 8,733,326</u>

Operating communities include communities offering homes for sale; communities that have sold all available home sites but have not completed delivery of the homes; and communities preparing to open for sale. The carrying value attributable to operating communities includes the cost of homes under construction, land and land development costs, the carrying cost of home sites in current and future phases of these communities, and the carrying cost of model homes.

Communities that were previously offering homes for sale but are temporarily closed due to business conditions, do not have any remaining backlog, and are not expected to reopen within 12 months of the end of the fiscal period being reported on are included in land owned for future communities. Backlog consists of homes under contract but not yet delivered to our home buyers (“backlog”).

The amounts we have provided for inventory impairment charges and the expensing of costs that we believed not to be recoverable in each of the three fiscal years ended October 31, 2023, 2022, and 2021, are shown in the table below (amounts in thousands):

Charge:	2023	2022	2021
Land controlled for future communities	\$ 10,712	\$ 13,051	\$ 5,620
Land owned for future communities	1,493	19,690	19,805
Operating communities	18,501	—	1,110
	<u>\$ 30,706</u>	<u>\$ 32,741</u>	<u>\$ 26,535</u>

We have also recognized \$30.6 million and \$6.8 million of impairment charges on land held for sale included in land sales and other cost of revenues during the fiscal years ended October 31, 2023 and 2022, respectively.

See Note 14, “Commitments and Contingencies,” for information regarding land purchase contracts.

At October 31, 2023, we evaluated our land purchase contracts, including those to acquire land for apartment developments, to determine whether any of the selling entities were VIEs and, if they were, whether we were the primary beneficiary of any of them. Under these land purchase contracts, we do not possess legal title to the land; our maximum exposure to loss is generally limited to deposits paid to the sellers and predevelopment costs incurred; and the creditors of the sellers generally have no recourse against us. At October 31, 2023, we determined that 251 land purchase contracts, with an aggregate purchase price of \$3.79 billion, on which we had made aggregate deposits totaling \$421.4 million, were VIEs, but that we were not the primary beneficiary of any VIE related to such land purchase contracts. At October 31, 2022, we determined that 237 land purchase contracts, with an aggregate purchase price of \$3.89 billion, on which we had made aggregate deposits totaling \$417.6 million, were VIEs, but that we were not the primary beneficiary of any VIE related to such land purchase contracts.

Interest incurred, capitalized, and expensed in each of the three fiscal years ended October 31, 2023, 2022, and 2021, was as follows (amounts in thousands):

	2023	2022	2021
Interest capitalized, beginning of year	\$ 209,468	\$ 253,938	\$ 297,975
Interest incurred	140,426	135,029	152,986
Interest expensed to home sales cost of revenues	(139,410)	(164,831)	(187,237)
Interest expensed to land sales and other cost of revenues	(10,787)	(5,788)	(4,372)
Interest reclassified to property, construction and office equipment - net	—	—	(1,034)
Interest capitalized on investments in unconsolidated entities	(9,783)	(6,699)	(4,574)
Previously capitalized interest transferred to investments in unconsolidated entities	(244)	(2,412)	—
Previously capitalized interest on investments in unconsolidated entities transferred to inventory	880	231	194
Interest capitalized, end of year	<u>\$ 190,550</u>	<u>\$ 209,468</u>	<u>\$ 253,938</u>

4. Investments in Unconsolidated Entities

We have investments in various unconsolidated entities and our ownership interest in these investments range from 5.0% to 50%. These entities, which are structured as joint ventures either (i) develop land for the joint venture participants and for sale to outside builders (“Land Development Joint Ventures”); (ii) develop for-sale homes (“Home Building Joint Ventures”); (iii) develop luxury for-rent residential apartments and single family homes, commercial space, and a hotel (“Rental Property Joint Ventures”), or (iv) provide financing and land banking to residential builders and developers for the acquisition and development of land and home sites (“Gibraltar Joint Ventures”).

The table below provides information as of October 31, 2023, regarding active joint ventures that we are invested in, by joint venture category (\$ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Number of unconsolidated entities	16	2	43	3	64
Investment in unconsolidated entities (1)	\$ 351,154	\$ 65,285	\$ 531,823	\$ 10,779	\$ 959,041
Number of unconsolidated entities with funding commitments by the Company	9	—	19	1	29
Company’s remaining funding commitment to unconsolidated entities (2)	\$ 204,438	\$ —	\$ 184,266	\$ 12,066	\$ 400,770

(1) Our total investment includes \$121.6 million related to 11 unconsolidated joint venture-related variable interests in VIEs and our maximum exposure to losses related to these VIEs is approximately \$329.3 million as of October 31, 2023, inclusive of our investment in these joint ventures. Our ownership interest in such unconsolidated Joint Venture VIEs ranges from 25% to 50%.

(2) Our remaining funding commitment includes approximately \$105.4 million related to our unconsolidated joint venture-related variable interests in VIEs.

The table below provides information as of October 31, 2022, regarding active joint ventures that we are invested in, by joint venture category (\$ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Number of unconsolidated entities	15	3	41	4	63
Investment in unconsolidated entities (1)	\$ 343,314	\$ 49,385	\$ 441,399	\$ 18,216	\$ 852,314
Number of unconsolidated entities with funding commitments by the Company	9	1	18	1	29
Company's remaining funding commitment to unconsolidated entities (2)	\$ 180,812	\$ 20,072	\$ 90,900	\$ 12,533	\$ 304,317

(1) Our total investment includes \$100.2 million related to 13 unconsolidated joint venture-related variable interests in VIEs and our maximum exposure to losses related to these VIEs is approximately \$200.0 million as of October 31, 2022. Our ownership interest in such unconsolidated Joint Venture VIEs ranges from 20% to 50%.

(2) Our remaining funding commitment includes approximately \$105.0 million related to our unconsolidated joint venture-related variable interests in VIEs.

Certain joint ventures in which we have investments obtained debt financing to finance a portion of their activities. The table below provides information at October 31, 2023, regarding the debt financing obtained by category (\$ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Total
Number of joint ventures with debt financing	12	2	42	56
Aggregate loan commitments	\$ 610,758	\$ 219,650	\$ 3,731,847	\$ 4,562,255
Amounts borrowed under commitments	\$ 445,506	\$ 135,723	\$ 2,152,872	\$ 2,734,101

The table below provides information at October 31, 2022, regarding the debt financing obtained by category (\$ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Total
Number of joint ventures with debt financing	10	2	35	47
Aggregate loan commitments	\$ 557,185	\$ 219,650	\$ 3,317,261	\$ 4,094,096
Amounts borrowed under commitments	\$ 444,306	\$ 17,583	\$ 1,774,567	\$ 2,236,456

More specific and/or recent information regarding our investments in and future commitments to these entities is provided below.

New Joint Ventures

The table below provides information on joint ventures entered into during fiscal 2023 (\$ amounts in thousands):

	Land Development Joint Ventures	Rental Property Joint Ventures
Number of unconsolidated joint ventures entered into during the period	1	5
Investment balance at October 31, 2023	\$ 14,867	\$ 59,567
Number of consolidated joint ventures entered into during the period	—	1
Carrying value of consolidated joint ventures' assets at October 31, 2023	\$ —	\$ 10,600
Noncontrolling interests in consolidated joint ventures at October 31, 2023	\$ —	\$ 2,700

The table below provides information on joint ventures entered into during fiscal 2022 (\$ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures
Number of unconsolidated joint ventures entered into during the period	3	2	12	1
Investment balance at October 31, 2022	\$ 48,600	\$ 48,700	\$ 132,200	2,700

Results of Operations and Intra-entity Transactions

In fiscal 2023, 2022 and 2021, certain of our Rental Property Joint Ventures sold their underlying assets to unrelated parties or to our joint venture partner. In connection with these sales, we recognized gains of \$50.9 million, \$21.0 million, and \$74.8 million, respectively, which is included in “Income from unconsolidated entities” in our Consolidated Statements of Operations and Comprehensive Income.

In fiscal 2023, we sold our ownership interest in one of our Rental Property Joint Ventures and recognized a gain of \$16.0 million, which is included in “Income from unconsolidated entities” in our Consolidated Statements of Operations and Comprehensive Income. No similar gains were recognized in fiscal 2022 or 2021.

In fiscal 2022 and 2021, we recognized other-than-temporary impairment charges on our investments in certain Home Building and Rental Property Joint Ventures of \$8.0 million and \$2.1 million, respectively. No other-than-temporary impairment charges were recognized in fiscal 2023.

In fiscal 2023, 2022 and 2021, we purchased land from unconsolidated entities, principally related to our acquisition of lots from our Land Development Joint Ventures, totaling \$110.7 million, \$54.8 million, and \$18.5 million, respectively. Our share of income from the lots we acquired was insignificant in each period. We sold land to unconsolidated entities, which principally involved land sales to our Home Building and Rental Property Joint Ventures, totaling \$44.2 million, \$434.2 million and \$227.8 million in our fiscal 2023, 2022 and 2021. These amounts are included in “Land sales and other revenue” on our Consolidated Statements of Operations and Comprehensive Income and are generally sold at or near our land basis.

At October 31, 2023 and 2022, we had receivables due from joint ventures totaling \$12.6 million and \$51.7 million, respectively, primarily related to amounts we funded on behalf of our partners that had not yet been reimbursed and amounts due to us for management fees earned.

Guarantees

The unconsolidated entities in which we have investments generally finance their activities with a combination of partner equity and debt financing. In some instances, we have guaranteed portions of debt of unconsolidated entities. These guarantees may include any or all of the following: (i) project completion guarantees, including any cost overruns; (ii) repayment guarantees, generally covering a percentage of the outstanding loan; (iii) carry cost guarantees, which cover costs such as interest, real estate taxes, and insurance; (iv) an environmental indemnity provided to the lender that holds the lender harmless from and against losses arising from the discharge of hazardous materials from the property and non-compliance with applicable environmental laws; and (v) indemnification of the lender from “bad boy acts” of the unconsolidated entity.

In some instances, we and our joint venture partner have provided joint and several guarantees in connection with loans to unconsolidated entities. In these situations, we generally seek to implement a reimbursement agreement with our partner that provides that neither party is responsible for more than its proportionate share or agreed upon share of the guarantee; however, we are not always successful. In addition, if the joint venture partner does not have adequate financial resources to meet its obligations under such a reimbursement agreement, we may be liable for more than our proportionate share.

We believe that, as of October 31, 2023, in the event we become legally obligated to perform under a guarantee of an obligation of an unconsolidated entity due to a triggering event, the collateral in such entity should be sufficient to repay a significant portion of the obligation. If it is not, we and our partners would need to contribute additional capital to the venture.

Information with respect to certain of the Company’s unconsolidated entities’ outstanding debt obligations, loan commitments and our guarantees thereon are as follows (\$ amounts in thousands):

	October 31, 2023	October 31, 2022
Loan commitments in the aggregate	\$ 3,341,700	\$ 2,858,800
Our maximum estimated exposure under repayment and carry cost guarantees if the full amount of the debt obligations were borrowed (1)	\$ 688,000	\$ 597,800
Debt obligations borrowed in the aggregate	\$ 1,643,600	\$ 1,110,900
Our maximum estimated exposure under repayment and carry cost guarantees of the debt obligations borrowed	\$ 544,100	\$ 390,500
Estimated fair value of guarantees provided by us related to debt and other obligations	\$ 19,500	\$ 16,900
Terms of guarantees	1 month - 4.0 years	1 month - 3.7 years

(1) At October 31, 2023 and 2022, our maximum estimated exposure under repayment and carry cost guarantees includes approximately \$102.3 million and \$95.0 million, respectively, related to our unconsolidated Joint Venture VIEs.

The maximum exposure estimates presented above do not take into account any recoveries from the underlying collateral or any reimbursement from our partners, nor do they include any potential exposures related to project completion guarantees or the indemnities noted above, which are not estimable. We have not made payments under any of the outstanding guarantees, nor have we been called upon to do so.

Variable Interest Entities

We have both unconsolidated and consolidated joint venture-related variable interests in VIEs. Information regarding our involvement in unconsolidated joint-venture related variable interests in VIEs has been disclosed throughout information presented above.

The table below provides information as of October 31, 2023 and October 31, 2022, regarding our consolidated joint venture-related variable interests in VIEs (\$ amounts in thousands):

	Balance Sheet Classification	October 31, 2023	October 31, 2022
Number of Joint Venture VIEs that the Company is the PB and consolidates		5	5
Carrying value of consolidated VIEs assets	Receivables, prepaid expenses, and other assets and Investments in unconsolidated entities	\$ 89,600	\$ 81,300
Our partners' interests in consolidated VIEs	Noncontrolling interest	\$ 10,200	\$ 9,700

Our ownership interest in the above consolidated Joint Venture VIEs ranges from 82% to 98%.

As shown above, we have concluded we are the PB of certain VIEs due to our controlling financial interest in such ventures as we have the power to direct the activities that most significantly impact the joint ventures' performance and the obligation to absorb expected losses or receive benefits from the joint ventures. The assets of these VIEs can only be used to settle the obligations of the VIEs. In addition, in certain of the joint ventures, in the event additional contributions are required to be funded to the joint ventures prior to the admission of any additional investor at a future date, we will fund 100% of such contributions, including our partner's pro rata share, which we expect would be funded through an interest-bearing loan. For other VIEs, we have concluded that we are not the PB because the power to direct the activities of such VIEs that most significantly impact their performance was either shared by us and such VIEs' other partners or such activities were controlled by our partner. For VIEs where the power to direct significant activities is shared, business plans, budgets, and other major decisions are required to be unanimously approved by all partners. Management and other fees earned by us are nominal and believed to be at market rates, and there is no significant economic disproportionality between us and other partners.

Joint Venture Condensed Combined Financial Information

The Condensed Combined Balance Sheets, as of the dates indicated, and the Condensed Combined Statements of Operations, for the periods indicated, for the unconsolidated entities in which we have an investment, aggregated by type, are included below (in thousands).

Condensed Combined Balance Sheets:

October 31, 2023

	Land Develop- ment Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Cash and cash equivalents	\$ 83,330	\$ 14,124	\$ 62,734	\$ 1,086	\$ 161,274
Inventory	1,112,382	277,438	—	35,325	1,425,145
Loan receivables, net	—	—	—	17,024	17,024
Rental properties	—	—	1,907,604	—	1,907,604
Rental properties under development	—	—	1,804,664	—	1,804,664
Other assets	210,831	15,961	157,481	924	385,197
Total assets	\$ 1,406,543	\$ 307,523	\$ 3,932,483	\$ 54,359	\$ 5,700,908
Debt, net of deferred financing costs	\$ 445,123	\$ 134,427	\$ 2,132,436	\$ —	\$ 2,711,986
Other liabilities	131,798	32,625	312,691	21,752	498,866
Members' equity	829,622	140,471	1,487,356	32,607	2,490,056
Total liabilities and equity	\$ 1,406,543	\$ 307,523	\$ 3,932,483	\$ 54,359	\$ 5,700,908
Company's net investment in unconsolidated entities (1)	\$ 351,154	\$ 65,285	\$ 531,823	\$ 10,779	\$ 959,041

October 31, 2022

	Land Develop- ment Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Cash and cash equivalents	\$ 132,344	\$ 19,628	\$ 102,270	\$ 642	\$ 254,884
Inventory	1,047,437	168,743	—	40,035	1,256,215
Loan receivables, net	—	—	—	48,217	48,217
Rental properties	—	—	1,702,690	—	1,702,690
Rental properties under development	—	—	1,413,607	—	1,413,607
Other assets	172,110	15,232	117,027	881	305,250
Total assets	\$ 1,351,891	\$ 203,603	\$ 3,335,594	\$ 89,775	\$ 4,980,863
Debt, net of deferred financing costs	\$ 443,061	\$ 16,770	\$ 1,788,923	\$ —	\$ 2,248,754
Other liabilities	100,931	52,116	225,812	20,959	399,818
Members' equity	807,899	134,717	1,320,859	68,816	2,332,291
Total liabilities and equity	\$ 1,351,891	\$ 203,603	\$ 3,335,594	\$ 89,775	\$ 4,980,863
Company's net investment in unconsolidated entities (1)	\$ 343,314	\$ 49,385	\$ 441,399	\$ 18,216	\$ 852,314

(1) Our underlying equity in the net assets of the unconsolidated entities was less than our net investment in unconsolidated entities by \$40.9 million and \$18.5 million as of October 31, 2023 and 2022, respectively, and these differences are primarily a result of interest capitalized on our investments; the estimated fair value of the guarantees provided to the joint ventures; distributions from entities in excess of the carrying amount of our net investment; unrealized gains on our retained joint venture interests; other than temporary impairments we have recognized; and gains recognized from the sale of our ownership interests.

Condensed Combined Statements of Operations and Comprehensive Income:

For the year ended October 31, 2023

	Land Develop- ment Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Revenues	\$ 240,365	\$ 38,124	\$ 238,651	\$ 28,221	\$ 545,361
Cost of revenues	196,924	26,583	85,328	21,031	329,866
Other expenses	13,261	7,201	233,734	1,053	255,249
Total expenses	210,185	33,784	319,062	22,084	585,115
Income (loss) from operations	30,180	4,340	(80,411)	6,137	(39,754)
Other income (2)	2,500	205	102,865	241	105,811
Income before income taxes	32,680	4,545	22,454	6,378	66,057
Income tax provision (benefit)	214	367	(940)	—	(359)
Net income	\$ 32,466	\$ 4,178	\$ 23,394	\$ 6,378	\$ 66,416
Company's equity in earnings of unconsolidated entities (3)	\$ 13,178	\$ 972	\$ 34,327	\$ 1,621	\$ 50,098

For the year ended October 31, 2022

	Land Develop- ment Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Revenues	\$ 207,179	\$ 60,902	\$ 192,901	\$ 37,705	\$ 498,687
Cost of revenues	172,921	45,087	65,387	26,229	309,624
Other expenses	8,911	4,717	165,447	1,436	180,511
Total expenses	181,832	49,804	230,834	27,665	490,135
Loss on disposition of loans and REO	—	—	—	(113)	(113)
Income (loss) from operations	25,347	11,098	(37,933)	9,927	8,439
Other income (2)	23,292	804	36,805	—	60,901
Income (loss) before income taxes	48,639	11,902	(1,128)	9,927	69,340
Income tax provision (benefit)	348	508	(607)	—	249
Net income (loss)	\$ 48,291	\$ 11,394	\$ (521)	\$ 9,927	\$ 69,091
Company's equity (deficit) in earnings of unconsolidated entities (3)	\$ 20,402	\$ 1,068	\$ (335)	\$ 2,588	\$ 23,723

For the year ended October 31, 2021

	Land Develop- ment Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Revenues	\$ 110,330	\$ 88,534	\$ 141,373	\$ 21,357	\$ 361,594
Cost of revenues	81,207	105,436	61,278	10,506	258,427
Other expenses	2,622	4,887	143,050	1,947	152,506
Total expenses	83,829	110,323	204,328	12,453	410,933
Loss on disposition of loans and REO	—	—	—	(4,109)	(4,109)
Income (loss) from operations	26,501	(21,789)	(62,955)	4,795	(53,448)
Other income (2)	8,807	317	177,777	—	186,901
Income (loss) before income taxes	35,308	(21,472)	114,822	4,795	133,453
Income tax provision (benefit)	258	(875)	(824)	—	(1,441)
Net income (loss)	\$ 35,050	\$ (20,597)	\$ 115,646	\$ 4,795	\$ 134,894
Company's equity (deficit) in earnings of unconsolidated entities (3)	\$ 18,155	\$ (241)	\$ 53,792	\$ 2,329	\$ 74,035

(2) Other income generated by Rental Property Joint Ventures for the years ending October 31, 2023, 2022, and 2021 include gains of \$106.2 million, \$29.9 million, and \$177.6 million related to the sale of assets by multiple Rental Property Joint Ventures.

(3) Differences between our income (loss) from unconsolidated entities and our percentage interest in the underlying net income (loss) of the entities are primarily a result of distributions from entities in excess of the carrying amount of our investment; promote earned on the gains recognized by joint ventures and those promoted cash flows being distributed; other than temporary impairments we have recognized; recoveries of previously incurred charges; unrealized gains on our retained joint venture interests; gains recognized from the sale of our investment to our joint venture partner; and our share of the entities' profits related to home sites purchased by us which reduces our cost basis of the home sites acquired.

5. Receivables, Prepaid Expenses, and Other Assets

Receivables, prepaid expenses, and other assets at October 31, 2023 and 2022, consisted of the following (amounts in thousands):

	2023	2022
Expected recoveries from insurance carriers and others	\$ 94,987	\$ 41,527
Improvement cost receivable	40,992	60,812
Escrow cash held by our wholly owned captive title company	44,273	51,796
Properties held for rental apartment and commercial development	225,261	224,593
Prepaid expenses	43,763	44,307
Right-of-use asset	102,787	116,660
Derivative assets	41,612	71,929
Other	97,581	135,604
	\$ 691,256	\$ 747,228

6. Loans Payable, Senior Notes, and Mortgage Company Loan Facility

Loans Payable

At October 31, 2023 and 2022, loans payable consisted of the following (amounts in thousands):

	2023	2022
Senior unsecured term loan	\$ 650,000	\$ 650,000
Loans payable – other	517,378	537,043
Deferred issuance costs	(3,154)	(1,768)
	<u>\$ 1,164,224</u>	<u>\$ 1,185,275</u>

Senior Unsecured Term Loan

We are party to a \$650.0 million senior unsecured term loan facility (the “Term Loan Facility”) with a syndicate of banks. On February 14, 2023, we entered into an amendment to the Term Loan Facility to extend the maturity date of \$487.5 million of outstanding term loans to February 14, 2028, with \$60.9 million due on November 1, 2026 and the remaining \$101.6 million due on November 1, 2025. In addition, this amendment replaced the London Interbank Offered Rate (“LIBOR”)-based interest rate provisions applicable to borrowings under the Term Loan Facility with Secured Overnight Financing Rate (“SOFR”)-based interest rate provisions. At October 31, 2023, other than \$101.6 million of term loans scheduled to mature on November 1, 2025 and the \$60.9 million scheduled to mature on November 1, 2026, there are no payments required before the final maturity date on the Term Loan Facility. The Term Loan Facility provides an accordion feature under which we may, subject to certain conditions set forth in the agreement, increase the Term Loan Facility up to a maximum aggregate amount of \$1.5 billion.

Under the Term Loan Facility, as amended, we may select interest rates equal to (i) SOFR plus an applicable margin, (ii) the base rate (as defined in the agreement) plus an applicable margin, or (iii) the federal funds/Euro rate (as defined in the agreement) plus an applicable margin, in each case, based on our leverage ratio. At October 31, 2023, the interest rate on the Term Loan Facility was 6.20% per annum.

Toll Brothers, Inc. and substantially all of its 100%-owned home building subsidiaries are guarantors under the Term Loan Facility. The Term Loan Facility contains substantially the same financial covenants as the New Revolving Credit Facility, as described below.

In November 2020, we entered into five interest rate swap transactions to hedge \$400.0 million of the Term Loan Facility through October 2025. The interest rate swaps effectively fix the interest cost on the \$400.0 million at 0.369% plus the spread set forth in the pricing schedule in the Term Loan Facility, which was 0.90% as of October 31, 2023. These interest rate swaps were designated as cash flow hedges.

Revolving Credit Facility

On February 14, 2023, we entered into a new five-year \$1.905 billion senior unsecured revolving credit facility (the “New Revolving Credit Facility”) with a syndicate of banks that is scheduled to mature on February 14, 2028. The New Revolving Credit Facility replaced our existing \$1.905 billion revolving credit facility, which was terminated in connection with the execution of the new agreement. The terms of the New Revolving Credit Facility are substantially the same as the prior revolving credit facility, except that the LIBOR-based interest rate provisions have been replaced with SOFR-based provisions. Toll Brothers, Inc. and substantially all of its 100%-owned home building subsidiaries are guarantors of the borrower’s obligations under the New Revolving Credit Facility.

Under the New Revolving Credit Facility, up to 100% of the commitment is available for letters of credit. The New Revolving Credit Facility has an accordion feature under which we may, subject to certain conditions set forth in the agreement, increase the New Revolving Credit Facility up to a maximum aggregate amount of \$3.00 billion. We may select interest rates for the New Revolving Credit Facility equal to (i) SOFR plus an applicable margin or (ii) the lenders’ base rate plus an applicable margin, which in each case is based on our credit rating and leverage ratio. At October 31, 2023, the interest rate on outstanding borrowings under the New Revolving Credit Facility would have been 6.50% per annum. We are obligated to pay an undrawn commitment fee that is based on the average daily unused amount of the Aggregate Credit Commitment and our credit ratings and leverage ratio. Any proceeds from borrowings under the New Revolving Credit Facility may be used for general corporate purposes.

Under the terms of the New Revolving Credit Facility, at October 31, 2023, our maximum leverage ratio (as defined in the credit agreement) was not permitted to exceed 1.75 to 1.00, and we were required to maintain a minimum tangible net worth (as defined in the credit agreement) of no less than approximately \$3.98 billion. Under the terms of the New Revolving Credit Facility, at October 31, 2023, our leverage ratio was approximately 0.24 to 1.00 and our tangible net worth was approximately

\$6.75 billion. Based upon the terms of the New Revolving Credit Facility, our ability to repurchase our common stock was limited to approximately \$3.60 billion as of October 31, 2023 and our ability to pay cash dividends was limited to approximately \$2.76 billion as of October 31, 2023.

At October 31, 2023, we had no outstanding borrowings under the New Revolving Credit Facility and had outstanding letters of credit of \$118.9 million.

Loans Payable – Other

“Loans payable – other” primarily represent purchase money mortgages on properties we acquired that the seller had financed, project-level financing, and various revenue bonds that were issued by government entities on our behalf to finance community infrastructure and our manufacturing facilities. Information regarding our loans payable at October 31, 2023 and 2022, is included in the table below (\$ amounts in thousands):

	2023	2022
Aggregate loans payable at October 31	\$ 517,378	\$ 537,043
Weighted-average interest rate	5.25 %	4.14 %
Interest rate range	0.38% - 9.00%	0.19% - 7.00%
Loans secured by assets:		
Carrying value of loans secured by assets	\$ 516,186	\$ 537,043
Carrying value of assets securing loans	\$ 1,416,034	\$ 1,327,683

The contractual maturities of “Loans payable – other” as of October 31, 2023, ranged from one month to 29.5 years.

Senior Notes

At October 31, 2023 and 2022, senior notes consisted of the following (amounts in thousands):

	2023	2022
4.375% Senior Notes due April 15, 2023	\$ —	\$ 400,000
4.875% Senior Notes due November 15, 2025	350,000	350,000
4.875% Senior Notes due March 15, 2027	450,000	450,000
4.35% Senior Notes due February 15, 2028	400,000	400,000
3.80% Senior Notes due November 1, 2029	400,000	400,000
Bond discounts, premiums, and deferred issuance costs - net	(3,815)	(4,729)
	<u>\$ 1,596,185</u>	<u>\$ 1,995,271</u>

The senior notes are the unsecured obligations of Toll Brothers Finance Corp., our 100%-owned subsidiary. The payment of principal and interest is fully and unconditionally guaranteed, jointly and severally, by us and substantially all of our 100%-owned home building subsidiaries (together with Toll Brothers Finance Corp., the “Senior Note Parties”). The senior notes rank equally in right of payment with all the Senior Note Parties’ existing and future unsecured senior indebtedness, including the New Revolving Credit Facility and the Term Loan Facility. The senior notes are subordinated to the prior claims of creditors, including trade creditors, of our subsidiaries that are not guarantors of the senior notes. Each series of senior notes is redeemable in whole or in part at any time at our option, at prices that vary based upon the then-current rates of interest and the remaining original term of the senior notes to be redeemed.

In our second quarter of fiscal 2023, we redeemed all \$400.0 million principal amount of 4.375% Senior Notes due April 15, 2023, at par, plus accrued interest.

In November 2021, we redeemed the remaining \$409.9 million principal amount of 5.875% Senior Notes due February 15, 2022, at par, plus accrued interest.

In March 2021, we redeemed, prior to maturity, all \$250.0 million aggregate principal amount of our then-outstanding 5.625% Senior Notes due 2024. In connection with this redemption, we incurred a pre-tax charge of \$34.2 million, inclusive of the write-off of unamortized deferred financing costs, which is recorded in our Consolidated Statement of Operations and Comprehensive Income.

In the first quarter of fiscal 2021, we redeemed, prior to maturity, approximately \$10.0 million of the \$409.9 million then-outstanding principal amount of 5.875% Senior Notes due February 15, 2022, plus accrued interest.

Mortgage Company Loan Facility

Toll Brothers Mortgage Company (“TBMC”), our wholly owned mortgage subsidiary, has a mortgage warehousing agreement (“Warehousing Agreement”) with a bank, which has been amended from time to time, to finance the origination of mortgage loans by TBMC. The Warehousing Agreement is accounted for as a secured borrowing under ASC 860, “Transfers and Servicing.” The Warehousing Agreement provides for loan purchases up to \$75.0 million, subject to certain sublimits. In addition, the Warehousing Agreement, provides for an accordion feature under which TBMC may request that the aggregate commitments under the Warehousing Agreement be increased to an amount up to \$150.0 million for a short period of time. We are also subject to an under usage fee based on outstanding balances, as defined in the Warehousing Agreement. Before the amendment in March 2023, the Warehousing Agreement was set to expire on March 31, 2023. In March 2023, the Warehousing Agreement was amended to extend the expiration date to March 30, 2024 and borrowings thereunder to bear interest at the Bloomberg Short-Term Yield Index Rate (“BSBY”) plus 1.75% per annum (with a BSBY floor of 0.50%). At October 31, 2023, the interest rate on the Warehousing Agreement was 7.15% per annum. Borrowings under this facility are included in the fiscal 2024 maturities in the table below.

At each of October 31, 2023 and 2022, there was \$100.1 million and \$148.9 million, respectively, outstanding under the Warehousing Agreement, which are included in liabilities in our Consolidated Balance Sheets. At October 31, 2023 and 2022, amounts outstanding under the agreement were collateralized by \$104.7 million and \$187.2 million, respectively, of mortgage loans held for sale, which are included in assets in our Consolidated Balance Sheets. As of October 31, 2023, there were no aggregate outstanding purchase price limitations reducing the amount available to TBMC. There are several restrictions on purchased loans under the agreement, including that they cannot be sold to others, they cannot be pledged to anyone other than the agent, and they cannot support any other borrowing or repurchase agreements.

On December 5, 2023, TBMC executed a new Warehousing Agreement (“New Warehousing Agreement”) with a bank which provides for loan purchases up to \$75.0 million, subject to certain sublimits. In addition, the New Warehousing Agreement, provides for an accordion feature under which TBMC may request that the aggregate commitments under the New Warehousing Agreement be increased to an amount up to \$150.0 million for a short period of time. TBMC is also subject to an under usage fee based on outstanding balances, as defined in the New Warehousing Agreement. The New Warehousing Agreement is set to expire on December 3, 2024 and bears interest at SOFR plus 1.75% per annum (with a SOFR floor of 2.50%).

General

As of October 31, 2023, the annual aggregate maturities of our loans and notes during each of the next five fiscal years are as follows (amounts in thousands):

	Amount
2024	\$ 317,593
2025	\$ 123,930
2026	\$ 536,349
2027	\$ 529,799
2028	\$ 407,890

7. Accrued Expenses

Accrued expenses at October 31, 2023 and 2022, consisted of the following (amounts in thousands):

	2023	2022
Land, land development and construction	\$ 555,146	\$ 334,975
Compensation and employee benefits	212,684	223,609
Escrow liability associated with our wholly owned captive title company	42,451	44,115
Self-insurance	230,688	251,576
Warranty	206,171	164,409
Lease liabilities	123,866	139,664
Deferred income	52,907	50,973
Interest	30,044	31,988
Commitments to unconsolidated entities	29,212	26,905
Other	65,612	77,773
	<u>\$ 1,548,781</u>	<u>\$ 1,345,987</u>

At the time each home is closed and title and possession are transferred to the home buyer, we record an initial accrual for expected warranty costs on that home. Our initial accrual for expected warranty costs is based upon historical warranty claim experience. Adjustments to our warranty liabilities related to homes delivered in prior periods are recorded in the period in which a change in our estimate occurs. The table below provides a reconciliation of the changes in our warranty accrual during fiscal 2023, 2022, and 2021 (amounts in thousands):

	2023	2022	2021
Balance, beginning of year	\$ 164,409	\$ 145,062	\$ 157,351
Additions - homes closed during the year	44,949	42,423	42,316
Addition - liabilities assumed in an asset acquisition	—	150	100
Increase in accruals for homes closed in prior years - net	12,739	10,433	9,155
Increase in accruals expected to be recovered from third parties (1)	58,000	29,000	—
Reclassification from self-insurance accruals	696	—	3,618
Decrease to water intrusion accrual	—	—	(11,823)
Charges incurred	(74,622)	(62,659)	(55,655)
Balance, end of year	<u>\$ 206,171</u>	<u>\$ 164,409</u>	<u>\$ 145,062</u>

(1) These increases in accruals for warranty charges are expected to be recovered from our insurance carriers or suppliers, which are recorded as receivables included in "Receivables, prepaid expenses, and other assets" on our Consolidated Balance Sheets.

Since fiscal 2014, we have received water intrusion claims from owners of homes built since 2002 in communities located in Pennsylvania and Delaware (which are in our North region). Our recorded remaining estimated repair costs, which reflects a reduction for the aggregate amount expended to resolve claims, were approximately \$41.1 million at October 31, 2023 and \$46.9 million at October 31, 2022. We continue to perform review procedures to assess, among other things, the number of affected homes, whether repairs are likely to be required, and the extent of such repairs.

Our review process, conducted quarterly, includes an analysis of many factors to determine whether a claim is likely to be received and the estimated costs to resolve any such claim, including: the closing dates of the homes; the number of claims received; our inspection of homes; an estimate of the number of homes we expect to repair; the type and cost of repairs that have been performed in each community; the estimated costs to remediate pending and future claims; the expected recovery from our insurance carriers and suppliers; and the previously recorded amounts related to these claims. We also monitor legal developments relating to these types of claims and review the volume, relative merits and adjudication of claims in litigation or arbitration. Our review process includes a number of estimates that are based on assumptions with uncertain outcomes. Due to the degree of judgment required in making these estimates and the inherent uncertainty in potential outcomes, it is reasonably possible that our actual costs and recoveries could differ from those recorded. However, based on the facts and circumstances currently known, we do not believe that any such differences would be material.

8. Income Taxes

The following table provides a reconciliation of our effective tax rate from the federal statutory tax rate for the fiscal years ended October 31, 2023, 2022, and 2021 (\$ amounts in thousands):

	2023		2022		2021	
	\$	%*	\$	%*	\$	%*
Federal tax provision at statutory rate	386,898	21.0	357,782	21.0	231,066	21.0
State tax provision, net of federal benefit	90,698	4.9	75,465	4.4	50,153	4.6
Other permanent differences	(2,782)	(0.2)	4,386	0.3	8,388	0.8
Reversal of accrual for uncertain tax positions	(621)	—	(1,690)	(0.1)	(993)	(0.1)
Accrued interest on anticipated tax assessments	403	—	234	—	297	—
Increase in unrecognized tax benefits	2,209	0.1	658	—	—	—
Excess stock compensation benefit	(7,320)	(0.4)	(3,012)	(0.2)	(4,698)	(0.4)
Energy tax credits	(2,348)	(0.1)	(22,153)	(1.3)	(24,343)	(2.2)
Other	3,163	0.2	5,556	0.3	6,818	0.6
Income tax provision*	<u>470,300</u>	<u>25.5</u>	<u>417,226</u>	<u>24.5</u>	<u>266,688</u>	<u>24.2</u>

* Due to rounding, percentages may not add

We are subject to state tax in the jurisdictions in which we operate. We estimate our state tax liability based upon the individual taxing authorities' regulations, estimates of income by taxing jurisdiction, and our ability to utilize certain tax-saving strategies. Based on our estimate of the allocation of income or loss among the various taxing jurisdictions and changes in tax regulations and their impact on our tax strategies, we estimate that our rate for state income taxes, before federal benefit, will be 6.2% in fiscal 2023. Our state income tax rate, before federal benefit, was 5.6% and 5.8% in fiscal 2022 and 2021, respectively

The following table provides information regarding the provision (benefit) for income taxes for each of the fiscal years ended October 31, 2023, 2022, and 2021 (amounts in thousands):

	2023	2022	2021
Federal	\$ 385,650	\$ 343,524	\$ 213,314
State	84,650	73,702	53,374
	<u>\$ 470,300</u>	<u>\$ 417,226</u>	<u>\$ 266,688</u>
Current	\$ 433,837	\$ 513,075	\$ 254,873
Deferred	36,463	(95,849)	11,815
	<u>\$ 470,300</u>	<u>\$ 417,226</u>	<u>\$ 266,688</u>

The components of income taxes payable at October 31, 2023 and 2022 are set forth below (amounts in thousands):

	2023	2022
Current	\$ 5,978	\$ 168,548
Deferred	160,290	122,931
	<u>\$ 166,268</u>	<u>\$ 291,479</u>

The following table provides a reconciliation of the change in the unrecognized tax benefits for the years ended October 31, 2023, 2022, and 2021 (amounts in thousands):

	2023	2022	2021
Balance, beginning of year	\$ 4,922	\$ 5,780	\$ 6,591
Increase in benefit as a result of tax positions taken in prior years	3,633	296	624
Increase in benefit as a result of tax positions taken in current year	2,733	833	—
Decrease in benefit as a result of lapse of statute of limitations	(776)	(1,987)	(1,435)
Balance, end of year	<u>\$ 10,512</u>	<u>\$ 4,922</u>	<u>\$ 5,780</u>

The statute of limitations has expired on our federal tax returns for fiscal years through 2019. The statute of limitations for our major state tax jurisdictions remains open for examination for fiscal year 2018 and subsequent years.

Our unrecognized tax benefits are included in the current portion of “Income taxes payable” on our Consolidated Balance Sheets. If these unrecognized tax benefits reverse in the future, they would have a beneficial impact on our effective tax rate at that time. During the next 12 months, it is reasonably possible that the amount of unrecognized tax benefits will change, but we are not able to provide a range of such change. The anticipated changes will be principally due to the expiration of tax statutes, settlements with taxing jurisdictions, increases due to new tax positions taken, and the accrual of estimated interest and penalties.

The amounts accrued for interest and penalties are included in the current portion of “Income taxes payable” on our Consolidated Balance Sheets. The following table provides information as to the amounts recognized in our tax provision, before reduction for applicable taxes and reversal of previously accrued interest and penalties, of potential interest and penalties in each of the three fiscal years ended October 31, 2023, 2022, and 2021, and the amounts accrued for potential interest and penalties at October 31, 2023 and 2022 (amounts in thousands):

Expense recognized in the Consolidated Statements of Operations and Comprehensive Income

Fiscal year		
2023	\$	332
2022	\$	296
2021	\$	376
Accrued at:		
October 31, 2023	\$	1,259
October 31, 2022	\$	1,157

The components of net deferred tax assets and liabilities at October 31, 2023 and 2022 are set forth below (amounts in thousands):

	2023	2022
Deferred tax assets:		
Accrued expenses	\$ 48,088	\$ 50,164
Impairment charges	25,005	37,418
Inventory valuation differences	20,690	41,154
Stock-based compensation expense	12,603	17,064
Amounts related to unrecognized tax benefits	1,385	203
State tax, net operating loss carryforwards	11,129	24,185
Other	1,709	1,691
Total assets	120,609	171,879
Deferred tax liabilities:		
Capitalized interest	22,909	26,791
Deferred income	223,225	226,929
Expenses taken for tax purposes not for book	3,143	2,961
Depreciation	14,484	19,391
Deferred marketing	17,138	18,738
Total liabilities	280,899	294,810
Net deferred tax liabilities	\$ (160,290)	\$ (122,931)

In accordance with GAAP, we assess whether a valuation allowance should be established based on our determination of whether it is more-likely-than-not that some portion or all of the deferred tax assets would not be realized. At October 31, 2023 and 2022, we determined that it was more-likely-than-not that our deferred tax assets would be realized. Accordingly, at October 31, 2023 and 2022, we did not have valuation allowances recorded against our federal or state deferred tax assets.

We file tax returns in the various states in which we do business. Each state has its own statutes regarding the use of tax loss carryforwards. Some of the states in which we do business do not allow for the carryforward of losses, while others allow for carryforwards ranging from five years to an indefinite carryforward period.

9. Stockholders' Equity

Our authorized capital stock consists of 400 million shares of common stock, \$0.01 par value per share (“common stock”), and 15 million shares of preferred stock, \$0.01 par value per share. At October 31, 2023, we had 103.8 million shares of common stock issued and outstanding, 3.1 million shares of common stock reserved for outstanding stock options and restricted stock units, 3.7 million shares of common stock reserved for future stock option and award issuances, and 252,000 shares of common stock reserved for issuance under our employee stock purchase plan. As of October 31, 2023, no shares of preferred stock have been issued.

Cash Dividends

On February 21, 2017, our Board of Directors approved the initiation of quarterly cash dividends to shareholders. In March 2023, our Board of Directors approved an increase in the quarterly dividend from \$0.20 to \$0.21 per share, which was previously increased from \$0.17 to \$0.20 in March 2022. During fiscal years 2023, 2022 and 2021, we declared and paid aggregate cash dividends of \$0.83, \$0.77 and \$0.62 per share, respectively, to our shareholders.

Stock Repurchase Program

From time to time since fiscal 2017, our Board of Directors has renewed its authorization to repurchase up to 20 million shares of our common stock in open market transactions, privately negotiated transactions (including accelerated share repurchases), issuer tender offers or other financial arrangements or transactions for general corporate purposes, including to obtain shares for the Company’s equity award and other employee benefit plans. On May 17, 2022, our Board of Directors renewed its authorization to repurchase 20 million shares of our common stock and terminated, effective the same date, the existing authorization that had been in effect since March 10, 2020. The Board of Directors did not fix any expiration date for this repurchase program. On December 13, 2023, the Board of Directors renewed its authorization to repurchase 20 million shares of our common stock and terminated, effective the same date, the existing authorization that had been in effect since May 17, 2022.

The following table provides information about the share repurchase programs for the fiscal years ended October 31, 2023, 2022, and 2021:

	2023	2022	2021
Number of shares purchased (in thousands)	7,860	11,000	7,421
Average price per share (1)	\$ 72.00	\$ 49.34	\$ 50.97
Remaining authorization at October 31 (in thousands)	6,716	14,577	12,563

(1) Average price per share includes costs associated with the purchases. For the fiscal 2023 period, it also includes the excise tax accrued on our share repurchases as a result of the Inflation Reduction Act of 2022.

Transfer Restriction

On March 17, 2010, our Board of Directors adopted a Certificate of Amendment to the Second Restated Certificate of Incorporation of the Company (the “Certificate of Amendment”). The Certificate of Amendment includes an amendment approved by our stockholders at the 2010 Annual Meeting of Stockholders that restricts certain transfers of our common stock. The Certificate of Amendment’s transfer restrictions generally restrict any direct or indirect transfer of our common stock if the effect would be to increase the direct or indirect ownership of any Person (as defined in the Certificate of Amendment) from less than 4.95% to 4.95% or more of our common stock or increase the ownership percentage of a Person owning or deemed to own 4.95% or more of our common stock. Any direct or indirect transfer attempted in violation of this restriction would be void as of the date of the prohibited transfer as to the purported transferee.

Accumulated Other Comprehensive Income

The changes in each component of accumulated other comprehensive income (“AOCI”), for fiscal years ended October 31, 2023, 2022, and 2021, were as follows (amounts in thousands):

	2023	2022	2021
Employee Retirement Plans			
Beginning balance	\$ 2,475	\$ (6,024)	\$ (7,198)
Gains arising during the period	736	9,573	152
Less: Tax expense	(199)	(2,424)	(316)
Net gains (losses) arising during the period	537	7,149	(164)
Losses reclassified from AOCI to net income (1)	92	1,805	1,801
Less: Tax benefit (2)	(24)	(455)	(463)
Net losses reclassified from AOCI to net income	68	1,350	1,338
Other comprehensive income, net of tax	605	8,499	1,174
Ending balance	\$ 3,080	\$ 2,475	\$ (6,024)
Derivative Instruments			
Beginning balance	\$ 35,143	\$ 7,133	\$ —
Gains on derivative instruments	8,369	37,539	9,383
Less: Tax expense	(2,110)	(9,505)	(2,408)
Net gains on derivative instruments	6,259	28,034	6,975
(Gains) losses reclassified from AOCI to net income (3)	(4,784)	(32)	211
Less: Tax benefit (expense) (2)	1,212	8	(53)
Net (gains) losses reclassified from AOCI to net income	(3,572)	(24)	158
Other comprehensive income, net of tax	2,687	28,010	7,133
Ending balance	\$ 37,830	\$ 35,143	\$ 7,133
Total AOCI ending balance	\$ 40,910	\$ 37,618	\$ 1,109

(1) Reclassified to “Other income – net”

(2) Reclassified to “Income tax provision”

(3) Reclassified to “Cost of revenues – home sales”

10. Stock-Based Benefit Plans

We grant stock options, restricted stock, and various types of restricted stock units to our employees and our non-employee directors under our stock incentive plans. Restricted stock unit awards may be based on performance conditions, market conditions or service over a requisite time period (time-based). On March 12, 2019, shareholders approved the Toll Brothers, Inc. 2019 Omnibus Incentive Plan (the “Omnibus Plan”), which succeeded the Toll Brothers, Inc. Stock Incentive Plan for Employees (2014) and the Toll Brothers, Inc. Stock Incentive Plan for Non-Executive Directors (2016) with respect to equity awards granted after its adoption, and no additional equity awards may be granted under such prior plans. As a result, the Omnibus Plan is the sole plan out of which new equity awards may be granted to employees (including executive officers), directors and other eligible participants under the plan. The Omnibus Plan provides for the granting of incentive stock options (solely to employees) and nonqualified stock options with a term of up to 10 years at a price not less than the market price of the stock at the date of grant. The Omnibus Plan also provides for the issuance of stock appreciation rights and restricted and unrestricted stock awards and stock units, which may be performance-based. Stock options and restricted stock units granted under the Omnibus Plan generally vest over a four-year period for employees and a two-year period for non-employee directors. Shares issued upon the exercise of a stock option or settlement of restricted stock units are either from shares held in treasury or newly issued shares. At October 31, 2023, 2022, and 2021, we had 3.7 million; 5.0 million; and 5.7 million shares, respectively, available for grant under the plans.

The following table provides information regarding the amount of total stock-based compensation expense recognized by us for fiscal year 2023, 2022, and 2021 (amounts in thousands):

	2023	2022	2021
Total stock-based compensation expense recognized	\$ 24,805	\$ 21,095	\$ 23,187
Income tax benefit recognized	\$ 6,291	\$ 5,312	\$ 5,910

At October 31, 2023, the aggregate unamortized value of outstanding stock-based compensation awards was approximately \$23.2 million and the weighted-average period over which we expect to recognize such compensation costs was approximately 2.5 years.

Performance-Based Restricted Stock Units:

In fiscal 2023, 2022, and 2021, the Executive Compensation Committee approved awards of performance-based restricted stock units (“Performance-Based RSUs”) relating to shares of our common stock to certain members of our senior management. The number of shares earned for Performance-Based RSUs is based on the attainment of certain operational performance metrics approved by the Executive Compensation Committee in the year of grant. The number of shares underlying the Performance-Based RSUs that may be issued to the recipients ranges from 0% to 150% of the base award depending on actual achievement as compared to the target performance goals. Shares earned based on actual performance vest pro-rata over a four-year period (provided the recipients continue to be employed by us as specified in the award document) or cliff-vest at the end of a three-year performance period.

The value of the Performance-Based RSUs was determined to be equal to the estimated number of shares of our common stock to be issued multiplied by the closing price of our common stock on the New York Stock Exchange (“NYSE”) on the date the Performance-Based RSUs were approved by the Executive Compensation Committee (“Valuation Date”), adjusted for post-vesting restrictions applicable to retirement eligible participants. Compensation expense related to these grants is based on the Company’s performance against the related performance criteria, the elapsed portion of the performance period and the grant date fair value of the award. To estimate the fair value of the award, we evaluate the performance goals quarterly and estimate the number of shares underlying the Performance-Based RSUs that are probable of being issued.

A summary of the status of our nonvested Performance-Based RSUs as of October 31, 2023, and changes during the year ended October 31, 2023, is presented below:

	Number of shares (in thousands)	Weighted-average grant date fair value
Nonvested at November 1, 2022	280	\$ 39.79
Granted	126	\$ 39.44
Vested	(153)	\$ 36.53
Nonvested at October 31, 2023	253	\$ 41.60

The following table provides information regarding the issuance, valuation assumptions, and amortization of the Performance-Based RSUs issued in fiscal 2023, 2022, and 2021:

	2023	2022	2021
Estimated number of shares underlying Performance-Based RSUs to be issued	126,068	71,576	128,894
Aggregate number of Performance-Based RSUs outstanding at October 31	442,961	507,604	539,592
Weighted-average fair value per share of Performance-Based RSUs issued	\$ 34.70	\$ 45.41	\$ 29.87
Aggregate grant date fair value of Performance-Based RSUs issued (in thousands)	\$ 7,244	\$ 6,156	\$ 5,030
Performance-Based RSUs expense recognized (in thousands)	\$ 5,838	\$ 4,346	\$ 5,989
Fair market value of Performance-Based RSUs vested (in thousands)	\$ 5,595	\$ 4,514	\$ 5,084

Shares earned with respect to Performance-Based RSUs granted in December 2016, 2017, and 2018 were delivered in fiscal 2021, 2022, and 2023, respectively.

Time-Based Restricted Stock Units:

We issue time-based restricted stock units (“Time-Based RSUs”) to various officers, employees, and non-employee directors on an annual basis. These Time-Based RSUs generally vest in annual installments over a two-year (for non-employee directors) or four-year (for employees) period and are generally settled at the end of such period. The value of the Time-Based RSUs are determined to be equal to the number of shares of our common stock underlying the Time-Based RSUs multiplied by the closing price of our common stock on the NYSE on the date the Time-Based RSUs are awarded, adjusted for post-vesting restrictions applicable to retirement eligible participants. The fair value of Time-Based RSUs is expensed evenly over the shorter of the vesting period or the period between the grant date and the time the award becomes nonforfeitable to the participant.

A summary of our Time-Based RSUs nonvested shares as of October 31, 2023, and changes during the year ended October 31, 2023, is presented below:

	Number of shares (in thousands)	Weighted-average grant date fair value
Nonvested at November 1, 2022	842	\$ 47.18
Granted	549	\$ 51.65
Vested	(336)	\$ 43.44
Forfeited	(40)	\$ 52.28
Nonvested at October 31, 2023	1,015	\$ 50.64

The following table provides additional information on the Time-Based RSUs for fiscal 2023, 2022, and 2021:

	2023	2022	2021
Time-Based RSUs issued:			
Number of Time-Based RSUs issued	324,399	276,421	386,017
Weighted-average fair value per share of Time-Based RSUs issued	\$ 34.26	\$ 45.55	\$ 33.21
Aggregate fair value of Time-Based RSUs issued (in thousands)	\$ 11,114	\$ 12,591	\$ 12,820
Time-Based RSUs expense recognized (in thousands):	\$ 18,340	\$ 15,738	\$ 14,531
Fair market value of Time-Based RSUs vested (in thousands):	\$ 14,592	\$ 13,925	\$ 14,029
	2023	2022	2021
At October 31:			
Aggregate number of Time-Based RSUs outstanding	1,500,097	1,315,303	1,312,710
Cumulative unamortized value of Time-Based RSUs (in thousands)	\$ 22,836	\$ 14,902	\$ 12,919

11. Earnings Per Share Information

Information pertaining to the calculation of earnings per share for each of the fiscal years ended October 31, 2023, 2022, and 2021, is as follows (amounts in thousands):

	2023	2022	2021
Numerator:			
Net income as reported	\$ 1,372,071	\$ 1,286,500	\$ 833,627
Denominator:			
Basic weighted-average shares	110,020	116,771	124,100
Common stock equivalents (1)	988	1,204	1,707
Diluted weighted-average shares	111,008	117,975	125,807
Other information:			
Weighted-average number of antidilutive options and restricted stock units (2)	200	410	166
Shares issued under stock incentive and employee stock purchase plans	2,026	507	1,011

(1) Common stock equivalents represent the dilutive effect of outstanding in-the-money stock options using the treasury stock method and shares expected to be issued under our restricted stock units programs.

(2) Weighted-average number of antidilutive options and restricted stock units are based upon the average of the average quarterly closing prices of our common stock on the NYSE for the year.

12. Fair Value Disclosures

Financial Instruments

A summary of assets and (liabilities) at October 31, 2023 and 2022, related to our financial instruments, measured at fair value on a recurring basis, is set forth below (amounts in thousands):

Financial Instrument	Fair value hierarchy	Fair value	
		October 31, 2023	October 31, 2022
Residential Mortgage Loans Held for Sale	Level 2	\$ 110,555	\$ 185,150
Forward Loan Commitments – Residential Mortgage Loans Held for Sale	Level 2	\$ 2,234	\$ 9,184
Interest Rate Lock Commitments (“IRLCs”)	Level 2	\$ (4,135)	\$ (17,734)
Forward Loan Commitments – IRLCs	Level 2	\$ 4,135	\$ 17,734
Interest Rate Swap Contracts	Level 2	\$ 35,243	\$ 45,010

At October 31, 2023 and 2022, the carrying value of cash and cash equivalents, escrow cash held by our wholly owned captive title company, and customer deposits held in escrow approximated fair value.

The fair values of the interest rate swap contracts are included in “Receivables, prepaid expenses and other assets” in our Consolidated Balance Sheets and are determined using widely accepted valuation techniques including discounted cash flow analysis based on the expected cash flows of each swap contract. Although the Company has determined that the significant inputs, such as interest yield curve and discount rate, used to value its interest rate swap contracts fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our counterparties and our own credit risk utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of October 31, 2023 and 2022, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our interest rate swap contract positions and have determined that the credit valuation adjustments were not significant to the overall valuation of our interest rate swap contracts. As a result, we have determined that our interest rate swap contracts valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Mortgage Loans Held for Sale

At the end of the reporting period, we determine the fair value of our mortgage loans held for sale and the forward loan commitments we have entered into as a hedge against the interest rate risk of our mortgage loans and commitments using the market approach to determine fair value. The evaluation is based on the current market pricing of mortgage loans with similar terms and values as of the reporting date and the application of such pricing to the mortgage loan portfolio. We recognize the difference between the fair value and the unpaid principal balance of mortgage loans held for sale as a gain or loss. In addition, we recognize the change in fair value of our forward loan commitments as a gain or loss. These gains and losses are included in “Other income – net” in our Consolidated Statements of Operations and Comprehensive Income. Interest income on mortgage loans held for sale is calculated based upon the stated interest rate of each loan and is also included in “Other income – net.”

The table below provides, for the periods indicated, the aggregate unpaid principal and fair value of mortgage loans held for sale as of the date indicated (amounts in thousands):

At October 31,	Aggregate unpaid principal balance	Fair value	Fair value greater (less) than principal balance
2023	\$ 114,835	\$ 110,555	\$ (4,280)
2022	\$ 193,746	\$ 185,150	\$ (8,596)

IRLCs represent individual borrower agreements that commit us to lend at a specified price for a specified period as long as there is no violation of any condition established in the commitment contract. These commitments have varying degrees of interest rate risk. We utilize best-efforts forward loan commitments (“Forward Commitments”) to hedge the interest rate risk of the IRLCs and residential mortgage loans held for sale. Forward Commitments represent contracts with third-party investors for the future delivery of loans whereby we agree to make delivery at a specified future date at a specified price. The IRLCs and Forward Commitments are considered derivative financial instruments under ASC 815, “Derivatives and Hedging,” which requires derivative financial instruments to be recorded at fair value. We estimate the fair value of such commitments based on the estimated fair value of the underlying mortgage loan and, in the case of IRLCs, the probability that the mortgage loan will fund within the terms of the IRLC. The fair values of IRLCs and forward loan commitments are included in either “Receivables, prepaid expenses and other assets” or “Accrued expenses” in our Consolidated Balance Sheets, as appropriate. To manage the risk of non-performance of investors regarding the Forward Commitments, we assess the creditworthiness of the investors on a periodic basis.

Inventory

We recognize inventory impairment charges based on the difference in the carrying value of the inventory and its fair value at the time of the evaluation. The fair value of the aforementioned inventory was determined using Level 3 criteria. Estimated fair value is primarily determined by discounting the estimated future cash flow of each community. See Note 1, “Significant Accounting Policies - Inventory,” for additional information regarding our methodology on determining fair value. As further discussed in Note 1, determining the fair value of a community’s inventory involves a number of variables, many of which are interrelated. If we used a different input for any of the various unobservable inputs used in our impairment analysis, the results of the analysis may have been different, absent any other changes. Impairments of inventory were insignificant in each of the three fiscal years ended October 31, 2023, 2022, and 2021 and, accordingly, we did not disclose the ranges of certain quantitative unobservable inputs utilized in determining the fair value of these impaired communities.

Debt

The table below provides, as of the dates indicated, the book value, excluding any bond discounts, premiums, and deferred issuance costs, and estimated fair value of our debt at October 31, 2023 and 2022 (amounts in thousands):

	Fair value hierarchy	2023		2022	
		Book value	Estimated fair value	Book value	Estimated fair value
Loans payable (1)	Level 2	\$ 1,167,378	\$ 1,150,704	\$ 1,187,043	\$ 1,180,893
Senior notes (2)	Level 1	1,600,000	1,481,220	2,000,000	1,822,255
Mortgage company loan facility (3)	Level 2	100,058	100,058	148,863	148,863
		<u>\$ 2,867,436</u>	<u>\$ 2,731,982</u>	<u>\$ 3,335,906</u>	<u>\$ 3,152,011</u>

- (1) The estimated fair value of loans payable was based upon contractual cash flows discounted at interest rates that we believed were available to us for loans with similar terms and remaining maturities as of the applicable valuation date.
- (2) The estimated fair value of our senior notes is based upon their market prices as of the applicable valuation date.
- (3) We believe that the carrying value of our mortgage company loan borrowings approximates their fair value.

13. Employee Retirement and Deferred Compensation Plans

Salary Deferral Savings Plans

We maintain salary deferral savings plans covering substantially all employees. We recognized an expense, net of plan forfeitures, with respect to the plans of \$17.1 million, \$17.1 million, and \$15.5 million for the fiscal years ended October 31, 2023, 2022, and 2021, respectively, which is included in “Selling, general and administrative” expense in the Consolidated Statements of Operations and Comprehensive Income.

Deferred Compensation Plan

We have an unfunded, nonqualified deferred compensation plan that permits eligible employees to defer a portion of their compensation. The deferred compensation, together with certain of our contributions, earns various rates of return depending upon when the compensation was deferred. A portion of the deferred compensation and interest earned may be forfeited by a participant if he or she elects to withdraw the compensation prior to the end of the deferral period. We accrued \$35.6 million and \$35.7 million at October 31, 2023 and 2022, respectively, for our obligations under the plan.

Defined Benefit Retirement Plans

We have two unfunded defined benefit retirement plans. Retirement benefits generally vest when the participant reaches normal retirement age. Unrecognized prior service costs are being amortized over the period from the date participants enter the plans until their interests are fully vested. We used a 5.83%, 5.26%, and 2.27% discount rate in our calculation of the present value of our projected benefit obligations at October 31, 2023, 2022, and 2021, respectively. The rates represent the approximate long-term investment rate at October 31 of the fiscal year for which the present value was calculated. Information related to the plans is based on actuarial information calculated as of October 31, 2023, 2022 and 2021.

Information related to our retirement plans for each of the fiscal years ended October 31, 2023, 2022, and 2021, is as follows (amounts in thousands):

	2023	2022	2021
Plan costs:			
Service cost	\$ 137	\$ 261	\$ 452
Interest cost	1,869	1,055	926
Amortization of prior service cost	1,407	1,806	1,723
Amortization of unrecognized losses	(1,316)	—	77
	<u>\$ 2,097</u>	<u>\$ 3,122</u>	<u>\$ 3,178</u>
Projected benefit obligation:			
Beginning of year	\$ 36,904	\$ 47,705	\$ 48,374
Plan amendments adopted during year	1,171	—	755
Service cost	137	261	452
Interest cost	1,869	1,055	926
Benefit payments	(2,748)	(2,544)	(1,894)
Change in unrecognized (gain) loss	(1,957)	(9,573)	(908)
Projected benefit obligation, end of year	<u>\$ 35,376</u>	<u>\$ 36,904</u>	<u>\$ 47,705</u>
Unamortized prior service cost:			
Beginning of year	\$ 3,678	\$ 5,484	\$ 6,452
Plan amendments adopted during year	1,171	—	755
Amortization of prior service cost	(1,407)	(1,806)	(1,723)
Unamortized prior service cost, end of year	<u>\$ 3,442</u>	<u>\$ 3,678</u>	<u>\$ 5,484</u>
Accumulated unrecognized gain (loss), October 31	<u>\$ 7,926</u>	<u>\$ 7,285</u>	<u>\$ (2,288)</u>
Accumulated benefit obligation, October 31	<u>\$ 35,376</u>	<u>\$ 36,904</u>	<u>\$ 47,705</u>
Accrued benefit obligation, October 31	<u>\$ 35,376</u>	<u>\$ 36,904</u>	<u>\$ 47,705</u>

The accrued benefit obligation is included in accrued expenses on our Consolidated Balance Sheets.

The table below provides, based upon the estimated retirement dates of the participants in the retirement plans, the amounts of benefits we would be required to pay in each of the next five fiscal years and for the five fiscal years ended October 31, 2033 in the aggregate (in thousands):

Year ending October 31,	Amount
2024	\$ 2,818
2025	\$ 3,142
2026	\$ 3,533
2027	\$ 3,610
2028	\$ 3,613
November 1, 2028 – October 31, 2033	\$ 16,827

14. Commitments and Contingencies

Legal Proceedings

We are involved in various claims and litigation arising principally in the ordinary course of business. We believe that adequate provision for resolution of all current claims and pending litigation has been made and that the disposition of these matters will not have a material adverse effect on our results of operations and liquidity or on our financial condition.

Land Purchase Contracts

Generally, our agreements to acquire land parcels do not require us to purchase those land parcels, although we, in some cases, forfeit any deposit balance outstanding if and when we terminate an agreement. If market conditions are weak, approvals needed to develop the land are uncertain, or other factors exist that make the purchase undesirable, we may choose not to acquire the land. Whether a purchase agreement is legally terminated or not, we review the amount recorded for the land parcel subject to the purchase agreement to determine whether the amount is recoverable. While we may not have formally terminated the purchase agreements for those land parcels that we do not expect to acquire, we write off any nonrefundable deposits and costs previously capitalized to such land parcels in the periods that we determine such costs are not recoverable.

Information regarding our land purchase contracts at October 31, 2023 and 2022, is provided in the table below (amounts in thousands):

	2023	2022
Aggregate purchase price:		
Unrelated parties	\$ 4,191,160	\$ 4,279,660
Unconsolidated entities that the Company has investments in	31,477	42,057
Total	<u>\$ 4,222,637</u>	<u>\$ 4,321,717</u>
Deposits against aggregate purchase price	\$ 449,925	\$ 463,452
Additional cash required to acquire land	3,772,712	3,858,265
Total	<u>\$ 4,222,637</u>	<u>\$ 4,321,717</u>
Amount of additional cash required to acquire land included in accrued expenses	<u>\$ 254,030</u>	<u>\$ 34,994</u>

In addition, we expect to purchase approximately 8,200 additional home sites over a number of years from several joint ventures in which we have investments; the purchase prices of these home sites will be determined at a future date.

At October 31, 2023, we also had similar purchase contracts to acquire land for apartment developments of approximately \$256.5 million, of which we had outstanding deposits in the amount of \$12.9 million. We intend to develop these projects in joint ventures with unrelated parties in the future.

We have additional land parcels under option that have been excluded from the aforementioned aggregate purchase amounts since we do not believe that we will complete the purchase of these land parcels and no additional funds will be required from us to terminate these contracts.

Investments in Unconsolidated Entities

At October 31, 2023, we had investments in a number of unconsolidated entities, were committed to invest or advance additional funds, and had guaranteed a portion of the indebtedness and/or loan commitments of these entities. See Note 4, "Investments in Unconsolidated Entities," for more information regarding our commitments to these entities.

Surety Bonds and Letters of Credit

At October 31, 2023, we had outstanding surety bonds amounting to \$871.6 million, primarily related to our obligations to governmental entities to construct improvements in our communities. We estimate that approximately \$355.6 million of work remains on these improvements. We have an additional \$323.3 million of surety bonds outstanding that guarantee other obligations. We do not believe it is probable that any outstanding bonds will be drawn upon.

At October 31, 2023, we had outstanding letters of credit of \$118.9 million under our New Revolving Credit Facility. These letters of credit were issued to secure our various financial obligations, including insurance policy deductibles and other claims, land deposits, and security to complete improvements in communities in which we are operating. We do not believe that it is probable that any outstanding letters of credit will be drawn upon.

At October 31, 2023, we had provided financial guarantees of \$25.7 million related to fronted letters of credit to secure obligations related to certain of our insurance policy deductibles and other claims.

Backlog

At October 31, 2023, we had agreements of sale outstanding to deliver 6,578 homes with an aggregate sales value of \$6.95 billion.

Mortgage Commitments

Our mortgage subsidiary provides mortgage financing for a portion of our home closings. For those home buyers to whom our mortgage subsidiary provides mortgages, we determine whether the home buyer qualifies for the mortgage based upon information provided by the home buyer and other sources. For those home buyers who qualify, our mortgage subsidiary provides the home buyer with a mortgage commitment that specifies the terms and conditions of a proposed mortgage loan based upon then-current market conditions. Prior to the actual closing of the home and funding of the mortgage, the home buyer will lock in an interest rate based upon the terms of the commitment. At the time of rate lock, our mortgage subsidiary agrees to sell the proposed mortgage loan to one of several outside recognized mortgage financing institutions (“investors”) that is willing to honor the terms and conditions, including interest rate, committed to the home buyer. We believe that these investors have adequate financial resources to honor their commitments to our mortgage subsidiary.

Mortgage loans are sold to investors with limited recourse provisions derived from industry-standard representations and warranties in the relevant agreements. These representations and warranties primarily involve the absence of misrepresentations by the borrower or other parties, the appropriate underwriting of the loan and in some cases, a required minimum number of payments to be made by the borrower. The Company generally does not retain any other continuing interest related to mortgage loans sold in the secondary market.

Information regarding our mortgage commitments at October 31, 2023 and 2022, is provided in the table below (amounts in thousands):

	2023	2022
Aggregate mortgage loan commitments:		
IRLCs	\$ 354,716	\$ 669,631
Non-IRLCs	1,818,486	2,429,063
Total	<u>\$ 2,173,202</u>	<u>\$ 3,098,694</u>
Investor commitments to purchase:		
IRLCs	\$ 354,716	\$ 669,631
Mortgage loans receivable	104,703	186,666
Total	<u>\$ 459,419</u>	<u>\$ 856,297</u>

Lease Commitments

We lease certain facilities, equipment, and properties held for rental apartment operation or development under non-cancelable operating leases which, in the case of certain rental properties, have an initial term of 99 years. We recognize lease expense for these leases on a straight-line basis over the lease term. Right-of-use (“ROU”) assets and lease liabilities are recorded on the balance sheet for all leases with an expected term over one year. A majority of our facility lease agreements include rental payments based on a pro-rata share of the lessor’s operating costs which are variable in nature. Our lease agreements do not contain any residual value guarantees or material restrictive covenants.

ROU assets are classified within “Receivables, prepaid expenses, and other assets” and the corresponding lease liability is included in “Accrued expenses” in our Consolidated Balance Sheets. We elected the short-term lease recognition exemption for all leases that, at the commencement date, have a lease term of 12 months or less and do not include an option to purchase the underlying asset that we are reasonably certain to exercise. For such leases, we do not recognize ROU assets or lease liabilities and instead recognize lease payments in our Consolidated Statements of Operations and Comprehensive Income on a straight-line basis. At October 31, 2023, ROU assets and lease liabilities were \$102.8 million and \$123.9 million, respectively. At October 31, 2022, ROU assets and lease liabilities were \$116.7 million and \$139.7 million, respectively. Payments on lease liabilities totaled \$20.2 million, \$17.7 million, and \$19.4 million for the years ending October 31, 2023, 2022, and 2021, respectively.

Lease expense includes costs for leases with terms in excess of one year as well as short-term leases with terms of one year or less. For the fiscal years ending October 31, 2023, 2022, and 2021, our total lease expense was \$27.1 million, \$25.6 million,

and \$22.2 million, respectively, inclusive of variable lease costs of approximately \$4.2 million, \$3.3 million, and \$3.1 million, respectively. Short-term lease costs and sublease income was de minimis.

Information regarding our remaining lease payments as of October 31, 2023 is provided in the table below (amounts in thousands):

Year ended October 31,	
2024	\$ 23,000
2025	20,600
2026	18,600
2027	15,300
2028	12,700
Thereafter	139,700
Total lease payments (1)	\$ 229,900
Less: Interest (2)	106,000
Present value of lease liabilities	<u>\$ 123,900</u>

(1) Lease payments include options to extend lease terms that are reasonably certain of being exercised.

(2) Our leases do not provide a readily determinable implicit rate. Therefore, we estimate our discount rate for such leases to determine the present value of lease payments at the lease commencement date.

The majority of our facility leases give us the option to extend the lease term. The exercise of lease renewal options is at our discretion. For several of our facility leases we are reasonably certain the option will be exercised and thus the renewal term has been included in our calculation of the ROU asset and lease liability. The weighted average remaining lease term and weighted average discount rate used in calculating these facility lease liabilities, excluding our land leases, were 7.2 years and 5.8%, respectively, at October 31, 2023 and 7.8 years and 4.8%, respectively, at October 31, 2022.

We have a small number of land leases with initial terms of 99 years. We are not reasonably certain that, if given the option, we would extend these leases. We have therefore excluded the renewal terms from our ROU asset and lease liability for these leases. The weighted average remaining lease term and weighted average discount rate used in calculating these land lease liabilities were 94.4 years and 4.5%, respectively, at October 31, 2023 and 93.5 years and 4.5%, respectively, at October 31, 2022.

15. Other Income – Net

The table below provides the components of “Other income – net” for the years ended October 31, 2023, 2022, and 2021 (amounts in thousands):

	2023	2022	2021
Interest income	\$ 35,133	\$ 6,180	\$ 4,320
Income from ancillary businesses	2,846	24,668	36,711
Management fee income earned by home building operations	4,462	7,968	1,646
Gain on litigation settlements – net	27,683	141,234	—
Other	(2,606)	(8,673)	(2,063)
Total other income – net	<u>\$ 67,518</u>	<u>\$ 171,377</u>	<u>\$ 40,614</u>

In fiscal 2022, we entered into a \$192.5 million settlement agreement with Southern California Gas Company to resolve our claims associated with a natural gas leak that occurred from October 2015 through February 2016 at the Aliso Canyon underground storage facility located near certain of our communities in southern California. As a result, net of legal fees and expenses, we recorded a pre-tax gain of \$148.4 million, of which \$141.2 million was recorded in Other Income - net in our Consolidated Statements of Operations and Comprehensive Income in fiscal 2022. The remainder was recorded as an offset to previously incurred expenses. Coincident with this settlement, we seeded a new Toll Brothers charitable foundation with \$10.0 million which was recorded in Selling, general and administrative in our Consolidated Statements of Operations and Comprehensive Income in fiscal 2022.

Income from ancillary businesses is generated by our mortgage, title, landscaping, smart home technology, Gibraltar, apartment living, city living, and golf course and country club operations. The table below provides revenues and expenses for these ancillary businesses for the years ended October 31, 2023, 2022, and 2021 (amounts in thousands):

	2023	2022	2021
Revenues	\$ 140,272	\$ 135,510	\$ 139,640
Expenses	\$ 137,426	\$ 110,842	\$ 102,929

In fiscal 2022, our smart home technology business recognized a \$9.0 million gain from a bulk sale of security monitoring accounts, which is included in income from ancillary businesses above.

In fiscal 2023 and fiscal 2022, we recognized \$8.4 million and \$0.3 million of write-offs related to previously incurred costs that we believed not to be recoverable in our apartment rental development business operations, respectively.

In fiscal 2023, income from ancillary businesses included management fees earned on our apartment rental development, high-rise urban luxury condominium, and Gibraltar unconsolidated entities and operations totaling \$34.7 million. In fiscal 2022 and 2021, income from ancillary businesses included management fees earned on our apartment rental development and Gibraltar unconsolidated entities and operations totaling \$25.9 million and \$22.7 million, respectively. Prior to fiscal 2023, management fees earned on our high-rise luxury condominium unconsolidated entities were included in “Management fees earned by home building operations” above.

16. Information on Segments

The table below summarizes revenue and income (loss) before income taxes for our segments for each of the fiscal years ended October 31, 2023, 2022, and 2021 (amounts in thousands).

	Revenue			Income (loss) before income taxes		
	2023	2022	2021	2023	2022	2021
North	\$ 1,494,127	\$ 1,853,720	\$ 2,011,896	\$ 197,414	\$ 280,829	\$ 313,694
Mid-Atlantic	1,175,348	1,148,966	1,076,900	243,464	189,485	128,494
South	2,204,763	1,519,600	1,183,272	416,711	249,665	153,799
Mountain	2,660,746	2,747,783	2,003,045	517,080	509,512	276,360
Pacific	2,329,365	2,441,959	2,156,114	610,126	572,844	382,855
Total home building	9,864,349	9,712,028	8,431,227	1,984,795	1,802,335	1,255,202
Corporate and other (1)	1,677	(858)	519	(142,424)	(98,609)	(154,887)
	9,866,026	9,711,170	8,431,746	1,842,371	1,703,726	1,100,315
Land sales and other revenue	128,911	564,388	358,615			
Total consolidated	<u>\$ 9,994,937</u>	<u>\$ 10,275,558</u>	<u>\$ 8,790,361</u>	<u>\$ 1,842,371</u>	<u>\$ 1,703,726</u>	<u>\$ 1,100,315</u>

(1) Included in our fourth quarter of fiscal 2022 is a \$141.2 million net gain related to a favorable litigation settlement as further discussed in Note 15, “Other Income - Net”.

“Corporate and other” is comprised principally of general corporate expenses such as our executive offices; the corporate finance, accounting, audit, tax, human resources, risk management, information technology, marketing, and legal groups; interest income; income from certain of our ancillary businesses, including our apartment rental development business and our high-rise urban luxury condominium operations; and income from our Rental Property Joint Ventures and Gibraltar Joint Ventures.

Total assets for each of our segments at October 31, 2023 and 2022, are shown in the table below (amounts in thousands):

	2023	2022
North	\$ 1,281,479	\$ 1,464,995
Mid-Atlantic	1,323,381	1,049,043
South	2,399,055	2,137,568
Mountain	2,666,874	2,785,603
Pacific	2,175,776	2,174,065
Total home building	9,846,565	9,611,274
Corporate and other	2,680,453	2,677,440
Total consolidated	<u>\$ 12,527,018</u>	<u>\$ 12,288,714</u>

“Corporate and other” is comprised principally of cash and cash equivalents, restricted cash, investments in our Rental Property Joint Ventures, expected recoveries from insurance carriers and suppliers, our Gibraltar investments and operations, manufacturing facilities, our apartment rental development and high-rise urban luxury condominium businesses, and our mortgage and title subsidiaries.

Inventory for each of our segments, as of the dates indicated, is shown in the table below (amounts in thousands):

	Land controlled for future communities	Land owned for future communities	Operating communities	Total
Balances at October 31, 2023				
North	\$ 32,762	\$ 31,253	\$ 1,031,625	\$ 1,095,640
Mid-Atlantic	34,175	135,042	1,089,270	1,258,487
South	40,335	198,467	1,908,468	2,147,270
Mountain	12,443	129,326	2,426,113	2,567,882
Pacific	53,460	169,325	1,765,514	1,988,299
Total consolidated	<u>\$ 173,175</u>	<u>\$ 663,413</u>	<u>\$ 8,220,990</u>	<u>\$ 9,057,578</u>

Balances at October 31, 2022

North	\$ 25,876	\$ 125,762	\$ 1,142,060	\$ 1,293,698
Mid-Atlantic	50,425	245,208	700,844	996,477
South	67,173	190,081	1,570,059	1,827,313
Mountain	15,890	119,315	2,523,027	2,658,232
Pacific	81,387	128,485	1,747,734	1,957,606
Total consolidated	<u>\$ 240,751</u>	<u>\$ 808,851</u>	<u>\$ 7,683,724</u>	<u>\$ 8,733,326</u>

The amounts we have provided for inventory impairment charges and the expensing of costs that we believed not to be recoverable for each of our segments, for the years ended October 31, 2023, 2022, and 2021, are shown in the table below (amounts in thousands):

	2023	2022	2021
North	\$ 677	\$ 11,860	\$ 12,194
Mid-Atlantic	15,898	3,369	12,022
South	1,766	3,391	662
Mountain	5,662	4,091	379
Pacific	6,703	10,030	1,278
Total consolidated	<u>\$ 30,706</u>	<u>\$ 32,741</u>	<u>\$ 26,535</u>

In the year ended October 31, 2023, we recognized \$30.6 million of land impairment charges included in land sales and other cost of revenues, of which \$15.6 million, \$10.3 million, \$2.2 million, and \$2.5 million were in our North, Mid-Atlantic, Pacific

and Corporate and other segments, respectively. In the year ended October 31, 2022 we recognized \$6.8 million of land impairment charges included in land sales and other cost of revenues in our North segment.

The net carrying value of our investments in unconsolidated entities and our equity in earnings (losses) from such investments, for each of our segments, as of the dates indicated, are shown in the table below (amounts in thousands):

	Investments in unconsolidated entities		Equity in earnings (losses) from unconsolidated entities		
	At October 31,		Year ended October 31,		
	2023	2022	2023	2022	2021
North	\$ 65,285	\$ 49,385	\$ 972	\$ 1,068	\$ (641)
Mid-Atlantic	19,807	26,171	283	(405)	5,953
South	169,004	174,901	13,520	20,065	12,619
Mountain	61,363	53,046	(211)	494	—
Pacific	100,980	89,196	(414)	248	(17)
Total home building	416,439	392,699	14,150	21,470	17,914
Corporate and other	542,602	459,615	35,948	2,253	56,121
Total consolidated	<u>\$ 959,041</u>	<u>\$ 852,314</u>	<u>\$ 50,098</u>	<u>\$ 23,723</u>	<u>\$ 74,035</u>

“Corporate and other” is comprised of our investments in the Rental Property Joint Ventures and the Gibraltar Joint Ventures.

17. Supplemental Disclosure to Consolidated Statements of Cash Flows

The following are supplemental disclosures to the Consolidated Statements of Cash Flows for each of the fiscal years ended October 31, 2023, 2022 and 2021 (amounts in thousands):

	2023	2022	2021
Cash flow information:			
Income tax paid - net	\$ 584,695	\$ 350,650	\$ 229,742
Noncash activity:			
Cost of inventory acquired through seller financing, municipal bonds, or included in accrued expenses - net	\$ 359,042	\$ 273,893	\$ 174,726
Reclassification from inventory to property, construction, and office equipment - net	\$ 1,170	\$ —	\$ 39,309
Transfer of inventory to investment in unconsolidated entities	\$ 1,000	\$ 46,019	\$ 50,841
Transfer of other assets to investment in unconsolidated entities, net	\$ 47,780	\$ 100,123	\$ 94,332
Transfer of other assets to property, construction, and office equipment - net	\$ 47,280	\$ 16,168	\$ —
Unrealized (loss) gain on derivatives	\$ (9,767)	\$ 34,680	\$ 10,330
	At October 31,		
	2023	2022	2021
Cash, cash equivalents, and restricted cash			
Cash and cash equivalents	\$ 1,300,068	\$ 1,346,754	\$ 1,638,494
Restricted cash included in receivables, prepaid expenses, and other assets	\$ 44,273	\$ 51,796	\$ 45,918
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	<u>\$ 1,344,341</u>	<u>\$ 1,398,550</u>	<u>\$ 1,684,412</u>

18. Summary Consolidated Quarterly Financial Data (Unaudited)

The table below provides summary income statement data for each quarter of fiscal 2023 and 2022 (amounts in thousands, except per share data):

	Three Months Ended			
	October 31	July 31	April 30	January 31
Fiscal 2023:				
Revenue:				
Home sales	\$ 2,951,904	\$ 2,674,602	\$ 2,490,098	\$ 1,749,422
Land sales and other	\$ 68,243	\$ 13,040	\$ 16,881	\$ 30,747
Gross profit (loss):				
Home sales	\$ 810,375	\$ 742,653	\$ 657,220	\$ 448,499
Land sales and other	\$ (10,351)	\$ 1,462	\$ (3,969)	\$ (11,688)
Income before income taxes	\$ 604,966	\$ 553,017	\$ 430,592	\$ 253,796
Net income	\$ 445,536	\$ 414,789	\$ 320,216	\$ 191,530
Earnings per share (2)				
Basic	\$ 4.15	\$ 3.77	\$ 2.88	\$ 1.72
Diluted	\$ 4.11	\$ 3.73	\$ 2.85	\$ 1.70
Weighted-average number of shares				
Basic	107,465	110,003	111,214	111,397
Diluted	108,388	111,123	112,184	112,336
Fiscal 2022:				
Revenue:				
Home sales	\$ 3,580,952	\$ 2,256,337	\$ 2,186,529	\$ 1,687,352
Land sales and other	\$ 131,182	\$ 238,465	\$ 91,012	\$ 103,729
Gross profit (loss):				
Home sales	\$ 963,038	\$ 585,634	\$ 527,264	\$ 397,825
Land sales and other	\$ 1,571	\$ 8,904	\$ (1,969)	\$ 4,112
Income before income taxes (1)	\$ 841,144	\$ 365,951	\$ 295,815	\$ 200,816
Net income (1)	\$ 640,536	\$ 273,467	\$ 220,593	\$ 151,904
Earnings per share (2)				
Basic	\$ 5.67	\$ 2.37	\$ 1.87	\$ 1.26
Diluted	\$ 5.63	\$ 2.35	\$ 1.85	\$ 1.24
Weighted-average number of shares				
Basic	112,914	115,334	117,839	120,996
Diluted	113,793	116,326	118,925	122,858

(1) Included in our fourth quarter of fiscal 2022 is a \$141.2 million net gain related to a favorable litigation settlement as further discussed in Note 15, "Other Income - Net".

(2) Due to rounding, the sum of the quarterly earnings per share amounts may not equal the reported earnings per share for the year.

RECONCILIATION OF NON-GAAP MEASURES

Net Debt-to-Capital Ratio Reconciliation (Amounts in thousands, except percentages)

	October 31, 2023
Loans payable	\$ 1,164,224
Senior notes	1,596,185
Mortgage company loan facility	100,058
Total debt	2,860,467
Total stockholders' equity	6,797,156
Total capital	\$ 9,657,623
Ratio of debt-to-capital	29.6 %
Total debt	\$ 2,860,467
Less: Mortgage company loan facility	(100,058)
Cash and cash equivalents	(1,300,068)
Total net debt	1,460,341
Total stockholders' equity	6,797,156
Total net capital	\$ 8,257,497
Net debt-to-capital ratio	17.7 %

Toll Brothers Board of Directors

Douglas C. Yearley, Jr., *Chairman and Chief Executive Officer, Toll Brothers, Inc.*

Paul E. Shapiro, *Lead Independent Director and Chairman, Q Capital LLC*

Stephen F. East, *Retired Managing Director, Wells Fargo & Company*

Christine N. Garvey, *Retired Global Head of Corporate Real Estate Services, Deutsche Bank AG*

Karen H. Grimes, *Retired Partner, Senior Managing Director, and Equity Portfolio Manager, Wellington Management Company*

Derek T. Kan, *Vice President, Operations, Shopify Inc.*

Carl B. Marbach, *President and CEO of Shared Charter, Inc.*

John A. McLean, *Senior Managing Director, New York Life Investment Management*

Wendell E. Pritchett, *Riepe Presidential Professor of Law and Education, University of Pennsylvania Carey Law School*

Judith A. Reinsdorf, *Retired Executive Vice President and General Counsel, Johnson Controls International plc*

Katherine M. Sandstrom, *Retired Senior Managing Director, Heitman LLC*

Scott D. Stowell, *President and CEO, Capital Thirteen LLC*

Corporate Information

Corporate Office

Toll Brothers, Inc.
1140 Virginia Drive
Fort Washington, PA 19034
215-938-8000 / TollBrothers.com

Transfer Agent & Registrar

Equiniti Trust Company, LLC
48 Wall Street, Floor 23
New York, NY 10005
1-800-937-5449
email: helpAST@equiniti.com

Independent Auditors

Ernst & Young LLP
Philadelphia, PA

Our common stock is traded on the New York Stock Exchange under the symbol "TOL".

Investor Relations Information Request

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and other Company information are available without charge either on or through our website, TollBrothers.com, or upon request from the following individuals at our Corporate Office:

Frederick N. Cooper, *Senior Vice President, Finance, International Development and Investor Relations*
fcooper@tollbrothers.com | 215-938-8312

Our Board of Directors has an audit and risk committee, an executive compensation committee, a nominating and corporate governance committee, and a public debt and equity securities committee. Each of these committees has a formal charter. We also have Corporate Governance Guidelines, a Code of Ethics for Members of the Board of Directors, and a Code of Ethics and Business Conduct which applies to all officers and employees. Copies of these charters, guidelines, and codes can be obtained on our website and are also available upon request from the individuals listed above.

Toll Brothers
AMERICA'S LUXURY HOME BUILDER®

1140 Virginia Drive
Fort Washington, PA 19034
(215) 938-8000
www.tollbrothers.com