

KB HOME
Form DEF 14A
March 03, 2017
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant
Check the appropriate box:
 Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
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KB HOME
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Table of Contents

Dear Fellow Stockholder:

Together with the Board of Directors and the management team of KB Home, I am pleased to invite you to our 2017 Annual Meeting of Stockholders. The meeting will be held at 9:00 a.m., Pacific Time, on Thursday, April 13, 2017, at our Corporate Office, which is located at 10990 Wilshire Boulevard in Los Angeles, California.

2016 in Review

Overall, 2016 was a strong year for KB Home, as we generated healthy growth in revenues, profitability and returns.

As a result, our stock was one of the top performers in our industry group for the year.

Housing market conditions remained favorable and relatively stable throughout 2016, continuing along a path of steady, but moderate, growth. Demand continued to be fueled by a combination of positive demographic and economic factors, while supply remained limited, with housing starts below historically normalized levels and existing home inventory generally insufficient to meet demand.

Despite this modest housing environment, we produced a strong acceleration in our results with 25% growth in net income and 32% growth in diluted earnings per share. We delivered 9,829 homes in 2016, a 20% increase from 2015, which was the primary driver behind our 23% year-over-year growth in housing revenues. With solid operational execution, we leveraged our revenue growth, resulting in an 18% year-over-year increase in pretax income to \$149 million. Our performance also generated improvements in both our return on invested capital and return on equity.

We operate our business using a balanced approach to the continued growth of our Company and further improvement in our returns, both of which are important to our long-term success. With our growth in profits and improving returns last year, we internally generated a significant level of cash. In 2016, our strong cash flow enabled us to invest nearly \$1.4 billion in land acquisition and development, complete an opportunistic repurchase of approximately \$86 million of our common stock early in the year at prices well below book value, and continue to pay our quarterly dividend.

We increased our year-over-year net order value by 17% to \$3.8 billion in 2016, as our net orders rose 11% to 10,283. Our strong net order growth contributed to our year-end backlog value expanding by 19% to \$1.5 billion, our highest year-end level in a decade.

Table of Contents

For additional details on our 2016 performance as well as our outlook for 2017 and related business risk factors, please refer to our Annual Report on Form 10-K for the fiscal year ended November 30, 2016.

Last year was notable for both the solid performance we achieved across our key financial and operational metrics, and the foundation we laid for 2017 and beyond. During the year, we established new three-year goals, reflecting our strategy of expanding scale in our served markets, increasing operating margins and improving asset efficiency to drive higher revenues, profitability and returns. We believe this strategy will also result in stronger cash flows to support our objectives of reducing our debt balance and improving our leverage ratio. We have a roadmap in place, and we are making progress on our goals. In January 2017, we completed the early redemption of \$100 million of our senior notes using internally generated cash, marking the initial step in our commitment to reducing both our debt and our leverage ratio.

In 2016, we also continued our leadership in sustainability. We constructed our 100,000th ENERGY STAR® certified home, and were recognized by the U.S. Environmental Protection Agency (EPA) for achieving this significant milestone. We also received our sixth consecutive Sustained Excellence award, third Climate Communications award, second WaterSense® Sustained Excellence award, and 17 ENERGY STAR Certified Homes Market Leader awards from the EPA, acknowledging our work in building high-efficiency homes that will help lower the total cost of ownership for our customers.

Technology and innovation were also at the forefront for us last year. We were proud to team up with a distinguished group of experts on an initiative called the Greenbuild KB Home ProjeKt. We built a demonstration model home that, through its structure and design, explored how people will want to live in the future. The model received much acclaim while on display at the 2016 Greenbuild Show and Expo.

On a final note, we made a transition in our financial services business in 2016, and established a new joint venture with Stearns Lending to provide mortgage banking services to our homebuyers. The transition is progressing well and we are enthusiastic about the opportunity to provide a higher level of customer service, better consistency and, eventually, an additional income stream for our Company.

In Closing

In 2017, we celebrate the 60th anniversary of the founding of KB Home. It will be a year of reflection on our rich history and legacy, and another year of moving forward, as we continue to grow our business, revenues, profitability and returns.

We remain committed to increasing stockholder value, and thank you for your continued support of KB Home. We hope to see you on April 13.

JEFFREY T. MEZGER

Chairman, President and Chief Executive Officer

March 3, 2017

Table of Contents

NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS

Time and Date 9:00 a.m.,
Pacific Time,
on Thursday,
April 13, 2017.

Location KB Home
Corporate
Office, 10990
Wilshire
Boulevard, Los
Angeles, CA
90024.

Items of Business (1) Elect nine
directors, each
to serve for a
one-year term.
(2) Advisory
vote to
approve named
executive
officer
compensation.
(3) Advisory
vote on
frequency of
the named
executive
officer
compensation
advisory vote.
(4) Ratify
Ernst & Young
LLP's
appointment as
KB Home's
independent
registered
public
accounting
firm for the
fiscal year
ending
November 30,
2017.

The
accompanying

Proxy Statement describes these items in more detail. We have not received notice of any other matters that may be properly presented at the meeting.

Record Date

You are entitled to vote at the meeting and at any adjournment or postponement of the meeting if you were a stockholder on February 10, 2017.

Voting

Please vote as soon as possible, even if you plan to attend the meeting, to ensure your shares will be represented. You do not need to attend the meeting to vote if you vote before the meeting. If you are a holder of record, you may vote your shares via the Internet, telephone or mail. If your shares are held by a broker or financial institution, you

must vote your shares using a method the broker or financial institution provides.

Attending the Meeting

Only stockholders on February 10, 2017, authorized proxy holders of such stockholders and invited guests of the Board of Directors (“Board”) may attend the meeting in person. Picture identification and an admission ticket will be required to attend. The accompanying Proxy Statement describes how to request an admission ticket. We must receive written ticket requests by March 31, 2017.

Annual Report

Copies of our Annual Report on Form 10-K for the fiscal year ended November 30, 2016 (“Annual Report”),

including
audited
financial
statements, are
being made
available to
stockholders
concurrently
with the
accompanying
Proxy
Statement. We
anticipate
these materials
will first be
made available
on or about
March 3, 2017.

Important Notice Regarding the Availability of
Proxy Materials for the Stockholder Meeting
To Be Held on April 13, 2017: Our Proxy
Statement and Annual Report are available at
www.kbhome.com/investor/proxy.

BY ORDER OF THE BOARD OF DIRECTORS,
WILLIAM A. (TONY) RICHELIEU
Vice President and Corporate Secretary
Los Angeles, California
March 3, 2017

Table of Contents

KB HOME
 10990 Wilshire Boulevard
 Los Angeles, CA 90024
 (NYSE:KBH)

PROXY STATEMENT

Your Board is furnishing this Proxy Statement and a proxy/voting instruction form or a Notice of Internet Availability, as applicable, to you to solicit your proxy for our 2017 Annual Meeting of Stockholders (“Annual Meeting”). We anticipate these proxy materials will first be made available on or about March 3, 2017. Stockholders can vote via the Internet, telephone or mail or in person at the Annual Meeting, as described under “Annual Meeting, Voting and Other Information.”

TABLE OF CONTENTS

| | |
|---|----------------|
| <u>Annual Meeting Overview</u> | <u>1</u> |
| <u>Corporate Governance and Board Matters</u> | <u>3</u> |
| <u>Board Leadership</u> | <u>3</u> |
| <u>Director Independence</u> | <u>3</u> |
| <u>Board Committee Information</u> | <u>4</u> |
| <u>Board Role in Risk Oversight</u> | <u>5</u> |
| <u>Certain Relationships and Related Party Transactions</u> | <u>5</u> |
| <u>Director Qualifications and Nominations</u> | <u>5</u> |
| <u>Director Compensation</u> | <u>6</u> |
| <u>Election of Directors</u> | <u>8</u> |
| <u>Ownership of KB Home Securities</u> | <u>11</u> |
| <u>Compensation Discussion and Analysis</u> | <u>13</u> |
| <u>Listening to Our Stockholders</u> | <u>13</u> |
| <u>Compensation Governance</u> | <u>14</u> |
| <u>Pay Program Overview</u> | <u>15</u> |
| <u>NEO Compensation Components</u> | <u>16</u> |
| <u>Executive Compensation Decision-Making Process and Policies</u> | <u>20</u> |
| <u>Severance, Change in Control and Post-Termination Arrangements and Benefits</u> | <u>22</u> |
| <u>Management Development and Compensation Committee Report</u> | <u>22</u> |
| <u>Summary Compensation Table</u> | <u>23</u> |
| <u>Grants of Plan-Based Awards During Fiscal Year 2016</u> | <u>24</u> |
| <u>Outstanding Equity Awards at Fiscal Year-End 2016</u> | <u>25</u> |
| <u>Option Exercises and Stock Vested During Fiscal Year 2016</u> | <u>27</u> |
| <u>Pension Benefits During Fiscal Year 2016</u> | <u>27</u> |
| <u>Non-Qualified Deferred Compensation During Fiscal Year 2016</u> | <u>28</u> |
| <u>Potential Payments Upon Termination of Employment or Change in Control</u> | <u>28</u> |
| <u>Advisory Vote to Approve Named Executive Officer Compensation</u> | <u>32</u> |
| <u>Advisory Vote on Frequency of the Named Executive Officer Compensation Advisory Vote</u> | <u>32</u> |
| <u>Audit Matters</u> | <u>33</u> |
| <u>Ratify Ernst & Young LLP’s Appointment as Independent Auditor</u> | <u>33</u> |
| <u>Independent Auditor Fees and Services</u> | <u>33</u> |
| <u>Audit Committee Report</u> | <u>34</u> |
| <u>Annual Meeting, Voting and Other Information</u> | <u>35</u> |
| <u>Reconciliation of Non-GAAP Financial Measure</u> | <u>Annex 1</u> |

Table of Contents

ANNUAL MEETING OVERVIEW

This overview provides a brief summary of the items of business for the Annual Meeting. Please review the more detailed information in this Proxy Statement and our Annual Report before voting.

| Items of Business | Key Meeting Information |
|--|---|
| Elect nine directors, each to serve for a one-year term. | Thursday, April 13, 2017. |
| Advisory vote to approve named executive officer compensation. | Date 9:00 a.m., Pacific Time. |
| Ø("NEO") compensation. | Time KB Home Corporate Office |
| ØAdvisory vote on frequency of the NEO compensation advisory vote. | Location Los Angeles, CA 90024. |
| ØRatify Ernst & Young LLP's appointment as our independent registered public accounting firm ("Independent Auditor") for the fiscal year ending November 30, 2017. | To Attend You must request an admission ticket to attend the Annual Meeting in person. We must receive written ticket requests by March 31, 2017, as described under "Admission to the Annual Meeting." |

Board of Directors Nominees

As discussed under "Election of Directors," below are the nominees for election to the Board at the Annual Meeting.

| Name | Year First Elected | Primary Occupation | Committee Membership |
|------------------------|--------------------|--|----------------------|
| Timothy W. Finchem | 2005 | Board Chair, The First Tee; Former PGA TOUR Commissioner | MDCC NCGC (Chair) |
| Dr. Stuart A. Gabriel | 2016 | Director, Richard S. Ziman Center for Real Estate at UCLA; and Professor of Finance and Arden Realty Chair, UCLA Anderson School of Management | ACC |
| Dr. Thomas W. Gilligan | 2012 | Director, Hoover Institution on War, Revolution and Peace | ACC NCGC |
| Kenneth M. Jastrow, II | 2001 | Former Chairman and CEO, Temple-Inland Inc. | MDCC (Chair) |
| Robert L. Johnson | 2008 | Founder and Chairman, The RLJ Companies | MDCC NCGC |
| Melissa Lora | 2004 | President, Taco Bell International | ACC (Chair) MDCC |
| Jeffery T. Mezger | 2006 | Chairman, President and Chief Executive Officer ("CEO"), KB Home | N/A |
| Robert L. Patton, Jr. | 2015 | Partner, Guggenheim Baseball Management LLC | ACC NCGC |
| Michael M. Wood | 2014 | Founder and Chairman, Redwood Investments LLC | ACC NCGC |

Committee Key: "ACC"=Audit and Compliance; "MDCC"=Management Development and Compensation; "NCGC"=Nominating and Corporate Governance

Your Board recommends a vote "FOR" the election of each director nominee

Table of Contents

Advisory Vote to Approve NEO Compensation

As shown below, and as discussed under “Compensation Discussion and Analysis,” we believe we have a strong alignment of our executive compensation with performance that supports advisory approval of our NEOs’ 2016 fiscal year compensation.

| | | | |
|----------------------------|-------------------------------|---------|---|
| | Total Revenues | 19% | |
| 2016 Key Financial Results | Homebuilding Operating Income | 10% | • 2016 Fiscal Year Total Stockholder Return (“TSR”): 13% |
| | Total Pretax Income | 18% | |
| | Net Income | 25% | |
| 2016 Key Operating Results | Annual Net Orders | 11% | • 2016 CEO Compensation Increased 1% Year Over Year • 90% of 2016 CEO Compensation Performance-Based • 2016 Say-On-Pay Result: 95% Approval |
| | Year-End Backlog Value | 19% | |
| | | | |
| Stockholder Returns | Common Stock Repurchases | \$85.9M | |
| | Cash Dividends | \$8.6M | |

Your Board recommends an advisory vote “FOR” approval of NEO compensation

Advisory Vote on Frequency of the NEO Compensation Advisory Vote

As discussed under “Advisory Vote on Frequency of the Named Executive Officer Compensation Advisory Vote,” the Board believes it is appropriate for the NEO compensation advisory vote to continue to be held annually, though you have the option to vote for an annual, biennial or triennial frequency.

Your Board recommends an advisory vote for an “ANNUAL” NEO compensation advisory vote