

TOLL BROTHERS INC  
Form FWP  
November 07, 2013

**Issuer Free Writing Prospectus, dated November 7, 2013**

**Filed pursuant to Rule 433 under the Securities Act of 1933**

**Supplementing the Preliminary Prospectus, dated November 7, 2013**

**Registration Statement No. 333-178130**

At 8:30 a.m. Eastern time, on November 7, 2013, Toll Brothers, Inc. used the following slides in a conference call and live webcast to review the announcement of the proposed acquisition of Shapell Industries, Inc. The presentation slides will be available to the public on the Investor Relations portion of the Toll Brothers website, [www.tollbrothers.com](http://www.tollbrothers.com).

Explanatory Note: This free writing prospectus is being filed to include the following legend.

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at [www.sec.gov](http://www.sec.gov). Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you any of those documents upon request by contacting Citigroup Global Markets Inc. c/o Broadridge Financial Solutions, 1155 Long Island Avenue, Edgewood, NY 11717, Telephone: (800) 831-9146, Deutsche Bank Securities Inc. toll free at (800) 503-4611, SunTrust Robinson Humphrey, Inc. at (404) 926-5744, or RBS Securities Inc. at (866) 884-2071.

Toll Brothers, Inc. Announces the  
Acquisition of Shapell Industries, Inc.  
NorCal  
SoCal  
Shapell Homes  
Toll Brothers  
Toll Brothers, Inc.

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November 7, 2013  
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Toll Brothers, Inc.

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Disclaimer

Statement of Forward-Looking Information

Certain information included in this presentation is forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995, and is not limited to, information related to: anticipated operating results; anticipated financial performance, resources and condition; deliveries; average home prices; consumer demand and confidence; contract pricing; business and investment opportunities; market conditions; consummation of the proposed transaction with Shapell Industries, Inc., and the anticipated benefits to be realized therefrom, and certain closing conditions; consummation of financing transactions; and post-closing asset sales.

Such forward-looking information involves important risks and uncertainties that could significantly affect actual results and differ from expectations expressed herein and in other Company reports, SEC filings, statements and presentations. These risks and uncertainties include, among others: local, regional, national and international economic conditions; fluctuating consumer demand and confidence; interest rate changes; changes in sales conditions, including home prices, in the markets where we build homes; conditions in our newly entered markets; operations; the competitive environment in which we operate; the availability and cost of land for future growth; conditions that may result in write-downs or write-downs associated with investments in unconsolidated entities; the ability to recover our deferred tax assets; uncertainties in the capital and securities markets; liquidity in the credit markets; changes in tax laws and their interpretation; election of legislation and regulation; the outcome of various legal proceedings; the availability of adequate insurance at reasonable cost; title defect, product liability and home warranty claims, including the adequacy of self-insurance accruals, and the applicability and amount of coverage; the ability of customers to obtain financing for the purchase of homes; the ability of home buyers to sell their existing homes; participants in various joint ventures to honor their commitments; the availability and cost of labor and building and construction materials; construction delays; domestic and international political events; weather conditions; consummation of the proposed transaction with Toll Brothers Industries, Inc., and the anticipated benefits to be realized therefrom, as the transaction is subject to certain closing conditions; the completion of transactions; and post-closing asset sales. For a more detailed discussion of these factors, see the information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent annual report or our most recent quarterly reports on Form 10-Q filed with the Securities and Exchange Commission.

Any or all of the forward-looking statements included in this presentation are not guarantees of future performance and may turn out to be incorrect. Forward-looking statements speak only as of the date they are made. The Company undertakes no obligation to publicly update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

The results for the three months and fiscal year ended October 31, 2013 included in this presentation are preliminary and represent unaudited information available to management. Our actual results may differ from these preliminary results due to the completion of our final adjustments and other developments that may arise between the date of this presentation and the time that financial results for the fiscal year ended October 31, 2013 are finalized.

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Today's Agenda

I.

Toll Brothers

Recent Performance

II.

Shapell Overview

III.

Toll Brothers

California Operations

IV.

Transaction Overview and Rationale

I. Toll Brothers  
Recent Performance



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Toll Brothers

Preliminary

Q4 and FY2013 Results

Note: Final results to be announced in December 2013.

3 Months Ended October 31,

Fiscal Year Ended October 31,

(\$ in millions), except Avg Prices

2013  
2012  
% Change  
2013  
2012  
% Change  
Contracts  
Units  
1,163  
1,098  
5.9%  
5,294  
4,159  
27.3%  
Total  
\$839  
\$684  
22.6%  
\$3,634  
\$2,558  
42.1%  
Avg Price (\$ in 000's)  
\$721  
\$623  
15.8%  
\$686  
\$615  
11.6%  
Backlog  
Units  
3,679  
2,569  
43.2%  
3,679  
2,569  
43.2%  
Total  
\$2,630  
\$1,670  
57.5%  
\$2,630  
\$1,670  
57.5%  
Avg Price (\$ in 000's)  
\$715  
\$650  
10.0%  
\$715  
\$650  
10.0%

Deliveries

Units

1,485

1,088

36.5%

4,184

3,286

27.3%

Total

\$1,045

\$633

65.1%

\$2,674

\$1,883

42.0%

Avg Price (\$ in 000's)

\$703

\$582

20.9%

\$639

\$573

11.6%

## II. Shapell Overview

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Shapell: 55+ Year History of Land

Development & Homebuilding

Nathan Shapell was born in Poland and during World War II was a prisoner of the infamous Buchenwald and Auschwitz Concentration Camps where most of his family members, including his mother, were executed.

After the war he devoted himself to helping thousands of Holocaust survivors by building housing complexes in Germany for survivors and representing them before American military panels responsible for ruling on requests to immigrate to America.

In

1952,  
Nathan  
Shapell  
immigrated  
to  
the  
United  
States  
with  
his  
wife  
and  
daughter.

In  
1955  
Shapell  
Industries  
was founded by

Mr. Shapell, his brother David and brother-in-law Max Webb as a home construction company that built custom-quality single family home communities in Southern California.

Since that time the Company has remained family-owned and has expanded its expertise to include virtually every aspect of the real estate development process from land acquisition to design, land development and construction.

To date, Shapell Homes has delivered over 70,000 homes, built over 7,000 apartments, and owns and manages more than 2.7 million square feet of commercial space. Toll will acquire the single-family residential real property development business of Shapell. Toll will not acquire Shapell's commercial and multi-family units, which will be retained by the seller as a separate business.

Source: Shapell Industries, Inc..

1969 / 1971

Shapell listed on  
the Pacific Stock  
Exchange and  
NYSE

1950

1960

1970

1980

1990

2000

2010

1955

Shapell

Founded

Late 1970s

Ground breaks on

Porter Ranch

master-planned

community

2008

Shapell's Alamo Creek

wins MAME s Master-  
Planned Community of  
the Year  
Award  
Over 5,200 lot / land  
portfolio in desirable coastal  
Northern and Southern  
California locations  
1984  
Shapell returns to  
privately-held  
status

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Shapell: Leading Coastal California  
Homebuilder and Developer  
Opportunity Overview  
San Diego  
Orinda  
Alamo Creek  
Gale Ranch



Evergreen

Gilroy

Plum Canyon

Porter Ranch

Thousand Oaks

Yorba Linda

Carlsbad

NorCal

SoCal

Laguna Niguel

One of the largest homebuilders in California  
and the leading builder in several of the state's  
premier, high-growth markets

18 active selling communities and land holdings  
with over 5,200 concentrated lots in 15 locations

Well-known luxury brand with a reputation for  
delivering high-quality, sought-after home  
product

Sizable amount of lots concentrated in a  
manageable number of communities

Geographic Footprint

Highly Attractive and Proven Lot Locations in NorCal and SoCal

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Shapell: Proven Historical  
Operating Performance  
Average Delivered Price  
(\$ in '000)  
Closings  
(Units)  
Homebuilding Revenues

(\$ in millions)

Source: Shapell Industries, Inc..

Shapell has consistently delivered high-quality homes in the coastal California markets where they build

Through the first 8 months of 2013 their home prices were up 13% and revenues have already exceeded their 2012 levels

\$354

\$252

\$272

\$274

2010

2011

2012

8/31 YTD

525

357

389

347

2010

2011

2012

8/31 YTD

\$675

\$706

\$699

\$791

2010

2011

2012

8/31 YTD

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Shapell: Overview of

Lots and Communities

Shapell is an active homebuilder in many of the same markets as Toll and would add immediate scale to Toll's California Division

97.5% of Shapell's lots have been entitled

Source: Shapell Industries, Inc..

08/31/13

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Lot Breakdown By Status (08/31/13)

(\$ in 000s)

City

Metro Area

Backlog

Raw

Graded

Finished

WIP

Models

Total Lots Remaining

Northern California

Gale Ranch

San Ramon

San Francisco

55

--

1,217

202

100

19

1,538

Alamo Creek

Danville

San Francisco

40

--

159

138

46

10

353

Gilroy

Gilroy

San Fran - Santa Clara

--

--

--

59

--

1

60

Evergreen

San Jose

San Fran - Santa Clara

13

--

--

--

24

--  
24  
Orinda  
Orinda  
San Francisco  
--  
--  
--  
22  
3  
--  
25  
Northern California Subtotal  
108  
--  
1,376  
421  
173  
30  
2,000  
Southern California  
Porter Ranch  
Porter Ranch  
Los Angeles  
41  
904  
746  
74  
47  
15  
1,786  
Plum Canyon  
Santa Clarita  
Los Angeles  
34  
--  
503  
100  
45  
8  
656  
Yorba Linda  
Yorba Linda  
Orange County  
22  
288  
--  
63  
31  
15

397  
Carlsbad  
Carlsbad  
San Diego - Carlsbad  
--  
305  
--  
--  
--  
--  
305  
Laguna Niguel  
Laguna Niguel  
Orange County  
14  
--  
--  
31  
16  
4  
51  
Thousand Oaks  
Thousand Oaks  
Los Angeles  
--  
--  
--  
24  
--  
--  
24  
Southern California Subtotal  
111  
1,497  
1,249  
292  
139  
42  
3,219  
Total  
219  
1,497  
2,625  
713  
312  
72  
5,219

III. Toll Brothers  
California Performance



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Toll's Operating Performance in  
California

Toll Brothers has been successfully operating in California since 1994

In two  
decades,

Toll

has

delivered  
7,750  
homes  
generating  
approximately  
\$6.5  
billion

in  
revenue

Historically, California represents ~9% of consolidated annual closings

Additional investment in California is justified based on Toll's proven success in the region and market trends

Average Delivered Price

(Deliveries: \$ in '000)

Lots Owned and Controlled

2,208

1,802

1,236

1,299

1,286

1,000

1,616

1,398

90

90

229

97

174

2,445

2007

2008

2009

2010

2011

2012

2013E

Owned

Controlled

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Case Study: Investment in

Shapell Lots

Amalfi Hills

In 2012, Toll acquired two Shapell communities (Sorrento & Positano) that consisted of 113 Lots in Yorba Linda & Amalfi Hills (Orange County) for \$47mm

Yorba Linda is a highly desirable housing market with median household income of \$115k and restricted supply

Toll Brothers was able to drive pricing from \$1.3 mm to approximately \$1.6 mm in Sorrento and from \$1.5 mm to approximately \$2.3 mm at Positano since the acquisition

Toll's pace is almost 3x as fast as originally underwritten 18 months ago

The vast improvement in pace and price should result in meaningful gross margin expansion at these two communities

Toll Brothers at Amalfi Hills, Yorba Linda, CA

#### IV. Transaction Overview and Rationale

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Overview of Transaction Financing

Total purchase price of ~\$1.60 billion,  
all cash, for 5,200 lots plus Shapell's  
homebuilding operations

The purchase will be financed using a  
combination of equity and debt:

Equity

will  
represent  
10

15%  
of  
the purchase price  
Debt will represent the remaining  
85

90%  
and  
will  
be  
comprised  
of  
draws on our existing senior  
unsecured credit facility and other  
senior unsecured debt  
We believe that closing will occur by the  
end of the first calendar quarter of 2014

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Key Acquisition Considerations  
We  
believe  
+/-  
\$100  
million  
of



cash  
will  
be  
on  
their

balance sheet at closing which we will retain plus  
another \$150 million will be returned in the first 6  
months from WIP

We believe we will return cash of approximately \$500  
million from land sales within the first 18 months

Strong pro forma free cash flow will quickly reduce  
incremental leverage

We underwrote the transaction based on the  
underlying value of the land

We did not assume any inflation in our underwriting

We anticipate very limited goodwill and intangibles as  
a result of the transaction

After the transaction is completed, we still anticipate  
having more than \$1 billion of available liquidity

Note: Cash flow and asset sale estimates are management projections that are subject to material revision.

We believe it will be  
accretive to earnings in  
the first year, excluding  
transaction costs

We believe we will  
receive a significant  
return of our investment  
in the first 18 months

Premier coastal  
California land with a  
complementary luxury  
brand

Very limited goodwill  
and other intangibles

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Competitive Advantages From

Shapell Acquisition

Bolster footprint in key proven coastal California locations that fit extremely well within Toll's current divisional operations

Toll will own or control approximately 9,200 lots in what we believe are the best locations

in

California

at  
the  
corner  
of

Main  
St.  
and  
Main  
St.

Complementary luxury brand with a reputation for delivery of high-quality, sought-after home product and communities

Build upon recent success of Toll Amalfi Hills land purchase from Shapell

California housing market dynamics support incremental investment with many of Shapell's markets experiencing double digit price appreciation

Shapell's seasoned management team will add capacity to Toll's already proven local homebuilding and land development expertise

Strategic

Rationale

Financial

Rationale

We

believe

the

transaction

will

be

accretive

to

EPS

in

the

first

year

of

the

transaction,

excluding transaction costs

Toll intends to selectively sell off \$500 million of land to de-lever the balance sheet, and reduce California concentration

We believe the transaction will return significant cash within 18 months of purchase

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Augments Toll's Footprint in Premier  
Coastal California Locations  
Property  
City  
1  
Orinda  
Orinda, CA

2

Alamo Creek  
Danville, CA

3

Gale Ranch  
San Ramon, CA

4

Evergreen  
San Jose, CA

5

Almaden Valley  
San Jose, CA

6

Gilroy  
Gilroy, CA

7

Moorpark / Chevron  
Moorpark, CA

8

Thousand Oaks  
Thousand, Oaks, CA

9

Porter Ranch  
Porter Ranch, CA

10

Plum Canyon  
Santa Clarita, CA

11

Yorba Linda  
Yorba Linda, CA  
Placentia, CA

12

Laguna Niquel, CA  
Laguna Niquel, CA

13

Carlsbad  
Carlsbad, CA

Property  
City

1

Schaefer Ranch  
Dublin, CA

2

The Reserve at Pleasanton  
Pleasanton, CA

3

Norris Canyon Estates  
San Ramon, CA

4

Toll Brothers at Amalfi Hills

-  
Positano Collection  
Yorba Linda, CA  
5  
Toll Brothers at Baker Ranch  
Lake Forest, CA  
6  
Estilo at Rancho Mirage  
Rancho Mirage, CA  
Toll Brothers at Alta  
Palm Springs, CA  
8  
Toll Brothers at Escala  
Rancho Mirage, CA  
9  
Toll  
Brothers  
at  
Arrowood

Greens  
Oceanside, CA  
10  
Toll Brothers at StoneBridge  
San Diego, CA  
11  
Toll Brothers at The Ridge  
Brisbane, CA  
12  
The Estates at Sunnyvale  
Sunnyvale, CA  
13  
The Pinnacle at Moorpark Highlands  
Moorpark, CA  
NorCal  
SoCal  
Toll will own or control  
approximately  
in  
premier coastal California  
locations  
Shapell communities are well  
located in the same coastal  
Northern and Southern  
California markets in which  
Toll operates today  
Alamo Creek and Gale Ranch  
are the two main Shapell  
properties in Northern  
California and represent

approximately 95% of the  
acquired lots in that region  
Plum Canyon and Porter  
Ranch are the two main  
Shapell properties in Southern  
California and represent  
approximately 75% of the  
acquired lots in that region

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Complementary Luxury Brand

Source:

Company filings, TOL management and Shapell Homes Offering Memorandum.

(1)

Pro Forma ADP calculated based on 4Q 2013 Toll closings and 3 mos. ended 8/31/13 Shapell closings.

(2)

Pro Forma home closings by delivered price based on FY ended 10/31/13 for Toll and the 10 months ended 8/31/2013 for Shapell



Home Closings

(2)

PF Consolidated Toll  
and Shapell

Total Closings: 4,184

Total Closings: 461

Total PF Closings: 4,645

(1)

Pro Forma ADP vs. Peers

Most Recent Quarter; Home Deliveries

Toll Standalone

Shapell Standalone

\$1,162

\$853

\$716

\$703

\$420

\$366

\$349

\$345

\$341

\$310

\$299

\$298

\$291

\$252

TOL CA

Shapell

PF TOL

TOL

SPF

TMHC

NVR

MDC

MTH

PHM

KBH

RYL

LEN

DHI

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Demographics Support Incremental

Investment in California

Source: California Building Industry Association, U.S. Census Bureau.

From 1970 to 2006, California averaged over 177,000  
annual housing starts per year

During the downturn from 2007 to 2012, starts  
plummeted 66% to under 61,000 starts per year

California needs to build an additional ~700,000 units,  
or 4-years worth of supply, just to catch up from the  
downturn and return to its 35+ year average of annual  
housing starts

Annual  
California  
Housing  
Starts  
from  
1970

2012

Distribution of Household Income

Based on households with greater than \$100,000 in income

In 2012, California had 3.45 million households  
with incomes greater than \$100,000, nearly a  
third of all households

13.2% or 1.65 million California households earn  
more than \$150,000, versus 9.5% of households  
nationwide

\$100,000 -

\$124,999, 32%

\$125,000 -

\$149,999, 20%

\$150,000 -

\$199,999, 23%

\$200,000 +, 25%

177,765/yr.

60,990/yr.

700,650

1970-2006

2007-2012

6 Year Shortfall

2007-2012

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Toll's Conservative Long Term  
Leverage Strategy Remains in Place

Toll's conservative long term  
leverage strategy will remain in  
place after this transaction

We believe our liquidity and  
balance sheet were helpful in

winning this bid

While our leverage ratios will rise at closing, we believe the return of cash from Shapell's operations and from our land sales will help our leverage return to historical levels quickly

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We are very excited, and honored that the Shapell family has chosen Toll Brothers to continue on with their legacy

This is a one-of-a-kind coastal California land portfolio that dovetails perfectly with our own footprint

We have proven historical success in

California markets

We believe the transaction will be accretive to income and operating margins, excluding transaction costs, and we assumed no inflation in our underwriting

This is the right acquisition at the right time in the right location for Toll Brothers

Conclusion